CRC BENEFITS

Determine Your Full-Time Equivalent Employees Under ACA

The Shared Responsibility provisions of the Affordable Care Act provide that Applicable Large Employers (ALEs) with 50 or more full-time (including full-time equivalent) employees are subject to a tax penalty if any full-time employee receives a premium tax credit or cost-sharing reduction to purchase health coverage through a Health Insurance Exchange.

An employee is eligible for a cost sharing subsidy in one of two circumstances:

- If an employer does not offer at least 95% of full-time employees and their dependents the opportunity to enroll in coverage; or
- An employer offers its full-time employees the opportunity to enroll in coverage but the coverage is either "unaffordable" or does not provide "minimum value."

Employers are considered Applicable Large Employers and therefore subject to the Shared Responsibility provisions only if they employ 50 or more full-time employees or a combination of full-time and part-time employees that equals 50 full-time equivalent employees. Applicable Large Employer status is determined based on the actual hours of work performed by employees in the prior calendar year.

Please note: Full-time equivalent employees are only used for purposes of determining whether the Shared Responsibility provisions apply to a particular employer. Employers are not subject to Shared Responsibility tax penalties for not providing such individuals with coverage, who are on average working fewer than 30 hours per week.

NOTE: The federal government has issued written guidance that can help an employer determine whether they must offer coverage and/or pay a penalty. As with any regulatory compliance matter, employers should consult with appropriate legal and tax experts who are licensed in the jurisdictions where they do business.

CALCULATING THE TOTAL NUMBER OF EMPLOYEES

For the worksheet on page 4, you will need to calculate the following:

Full-Time Employee Calculations (Column X): Insert the number of full-time employees of your company who work on average 30 or more hours per week per month during the measurement period using a month by month breakdown. This can include seasonal employees who work full time in any given month or designated time period.

NOTE: If you meet the requirements of common ownership with other companies or entities under the IRS Code §414, you must count all employees of the commonly owned companies together for these totals.

Full-Time Equivalent (FTE) Calculations (Column Y): Insert the total number of hours worked by all part-time and seasonal employees (all employees who did not work on average 30 or more hours per week per month during the previous year). Divide each monthly total by 120 as a proxy of a 30-hour work week. (e.g., 240 hours worked in January/120 = 2)

CALCULATING THE NUMBER OF FTES

- Add up the subtotal in Column X
- Add up the subtotal in Column Y
- Add up the subtotals in Columns X and Y and divide by 12 for your final employee count

This average will determine if you employ more than 50 full-time equivalents, and thus are considered a large employer subject to the employer mandate for the applicable tax year.

- Are you **UNDER 50 FTEs?** Congratulations! You are likely exempt from employer shared responsibility requirements!
- Are you **OVER 50 FTEs?** Continue to the next step to determine whether you can claim an exemption.

DOES THE SEASONAL EXCEPTION APPLY?

To help calculate this exemption, fill out Column Z by adding up the totals for each month. By way of example for the month of January, if Column X has 42 full-time employees and Column Y has 10 FTEs, the entry for January under Column Z would be 52 total employees.

If your total number of employees is 50 or more, you may determine whether the seasonal exemption applies by meeting the following full-time and FTE criteria, as stated by the IRS:

1. "If the sum of the employer's **full-time employees** and FTEs exceeds 50 for **120 days or less** during the preceding calendar year; **AND**
2. The **employees in excess of 50** who were employed during that period of no more than 120 days are **seasonal employees.**"

Examine the monthly totals in Column Z to see whether you meet the 120-day/4-month threshold. If these two conditions are met, the seasonal exemption will apply, and you would likely not be considered an applicable large employer.

Please note: Four calendar months may be treated as the equivalent of 120 days. The four calendar months and the 120 days are not required to be consecutive. A seasonal employee is defined by ACA as "employees who perform labor or services on a seasonal basis as defined by the Secretary of Labor, including seasonal workers and retail workers employed exclusively during holiday seasons." Pursuant to the IRS regulations, employers are permitted to use a reasonable, good faith interpretation of "seasonal employees" in their calculations until further guidance is released by the Department of Labor.

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FULL-TIME EQUIVALENT (FTE)

Worksheet

Month	Step 1: Column X Number of Full-Time Employees	Step 1: Column Y Total Hours Worked by Non-Full-Time Employees Divided by 120	Step 3 Only: Column Z Sum of X and Y for Each Month
January			0
February			0
March			0
April			0
May			0
June			0
July			0
August			0
September			0
October			0
November			0
December			0
Subtotals	X Column Subtotal: 0	Y Column Subtotal: 0	
Step 2:	(X+Y)/12= 0		

Please visit https://www.crcbenefits.com/compliance/ to stay up-to-date on the latest health care reform news.

The employer should seek specific local benefit and legal advice. The information provided in this response is for educational purposes only and does not constitute legal advice.

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