

MONEYWISE SOLUTIONS

How to Estimate FTE Counts for PPACA Status Determination

The Shared Responsibility provisions of the Patient Protection and Affordable Care Act (“PPACA”) provide that “Applicable Large Employers” 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 its “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.

Remember that 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.

Doing the Math

Full-Time Employee Calculations (Row A): 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.

Full-Time Equivalent (FTE) Calculations (Row B): 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., 260 hours worked in January/ $120 = 2$)

Determining the Number of FTE's

- Add up the subtotal in Row A
- Add up the subtotal in Row B
- Add up the subtotals in Rows A and B and divide by 12 for your final employee count
- This average will determine if the company employs more than 50 full-time equivalents, and thus are considered a large employer subject to the employer mandate for the applicable tax year.

If the total is **UNDER 50 FTEs** the company is probably exempt from employer shared responsibility requirements. If the total is **OVER 50 FTEs** the company may still be exempt due to seasonal employee counts.

What About Seasonal Employees

To help calculate this exemption, fill out Row C by adding up the totals for each month. By way of example for the month of January, if Row A has 42 full time employees and Row B has 10 FTEs, the entry for January under Row C 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 Row C 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.

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 PPACA as “employees who perform labor or services on a seasonal basis as defined by the Secretary of Labor, including seasonal workers and retail workers employer 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.

Month	January	February	March	April	May	June	July	August	September	October	November	December	Totals	(A + B) / 12 = FTE Total	
Row A Headcount of Employees (that work over 30 hours per week)													A		
Row B Total Hours worked by employees that work less than 30 hours per week divided by 120													B		
													Total		
Row C Used for Seasonal Exemption Calculation															