How Many Employees Does Your Business Have for Affordable Care Act Purposes?



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It seems like a simple question: How many full-time workers does your business employ? But, when it comes to the Affordable Care Act (ACA), the answer can be complicated.

The number of workers you employ determines whether your organization is an applicable large employer (ALE). Just because your business isn't an ALE one year doesn't mean it won't be the next year.

50 is the magic number
Your business is an ALE if you had an average of 50 or more full time employees — including full-time equivalent employees — during the prior calendar year. Therefore, you'll count the number of full time employees you have during 2016 to determine if you're an ALE for 2017.

Under the law, an ALE:

- Is subject to the employer shared responsibility provisions with their potential penalties, and
- Must comply with certain information reporting requirements.

Calculating full-timers
A full-timer is generally an employee who works on average at least 30 hours per week, or at least 130 hours in a calendar month.

A full-time equivalent involves more than one employee, each of whom individually isn't a full-timer, but who, in combination, are equivalent to a full-time employee.

Seasonal workers
If you're hiring employees for summer positions, you may wonder how to count them. There's an exception for workers who perform labor or services on a seasonal basis. An employer isn't considered an ALE if its workforce exceeds 50 or more full-time employees in a calendar year because it employed seasonal workers for 120 days or less.

However, while the IRS states that retail workers employed exclusively for the holiday season are considered seasonal workers, the situation isn't so clear cut when it comes to summer help. It depends on a number of factors.

We can help
Contact us for help calculating your full-time employees, including how to handle summer hires. We can help ensure your business complies with the ACA.