Calculating employer size

Am I considered a small or large employer under the health care law?

The Affordable Care Act (ACA) imposes Employer Shared Responsibility provisions on large employers — those that employed 50 or more full-time employees, or a combination of full-time and part-time employees that equals 50 or more, in the prior calendar year.

If you think you might be a large employer, use this sheet to find out for sure. It will help you add up the full-time and part-time employees you had last year to get a monthly average.

How do I count my average number of employees?

Do this five-step calculation:

1. Count the number of full-time employees (including seasonal employees) for each month in the prior calendar year. Full-time employees are employees who worked 30 hours or more per week or at least 130 hours per month.

2. Count the number of full-time equivalents (FTEs) for each month of the prior year. Include all employees (including seasonal) who were not full-time. Here’s how:
   A. Add up the number of hours of service for all employees who worked 120 hours or fewer in January, then February, and so on through the year.
   B. Divide the total hours of service from step A by 120 to get your FTEs for January, then February, and so on through the year.

3. Add together the full-time employees and FTEs for January, then February, and so on until you have totals for each month of the year. This will show you any fluctuations in your employee numbers.

4. Add together all 12 monthly totals to get your yearly total.

5. Divide by 12 to get your monthly average number of employees.

Results:

- If your average monthly number of employees was 49 or fewer, you are considered a small employer for the current calendar year. You are not subject to Employer Shared Responsibility requirements.

- If your average monthly number of employees was 50 or more, you are considered a large employer for the current calendar year. You are subject to Employer Shared Responsibility requirements.

Seasonal exception — If you hire seasonally so that your workforce increases during certain times of the year, you might not be considered a large employer if:

- The amount of time your workforce has 50 or more full-time employees and FTEs is 120 days (about 4 months) or fewer,
  AND
- The employees in excess of 50 who were employed during the 120 days or fewer were seasonal workers.
Example 1 — Calculating employer size: Seasonal exception?

Brown Farms has 35 full-time employees for all months of the year. For 3 months during harvest and processing, they employ an additional 75 full-time seasonal workers.

1. Count full-time employees = 35 each month except for seasonal hiring = 110 in September, October and November. (See chart.)
2. Count part-time employees to get FTEs = 0
3. Add together full-time and FTEs for each month to get employees.
4. Add together employees for each month to get a count for the year. 35 employees for 9 months = 315; 110 employees for 3 months = 330. Yearly total is 315 + 330 = 645.
5. Divide yearly total by 12 months to get your monthly average. 645 ÷ 12 = 53 employees

Result: Although Brown Farms averages 53 employees per month, they are not a large employer for ACA purposes because their seasonal workers were employed for less than 120 days. (If their seasonal workers had made their workforce greater than 50 for more than 120 days, Brown Farms would have been a large employer.)

Example 2 — Calculating employer size

Holland Electric Company has 35 full-time employees and 30 part-time employees, who each work 80 hours per month.

1. Count full-time employees = 35
2. Count part-time employees and how many hours they each work per month, then divide by 120 to get FTEs. 30 part-time x 80 hours per month ÷ 120 = 20 FTEs
3. Add together full-time and FTEs for each month to get employees. 35 full-time + 20 FTEs = 55
4. Add together employees for each month to get a yearly total. 55 employees each month for 12 months = 660 for the year
5. Divide yearly total by 12 months to get your monthly average. 660 ÷ 12 = 55 employees

Result: Holland Electric averages 55 employees, and they are a large employer for ACA purposes.

Example 3 — Calculating employer size

Ozark Widget Co. has a range of 44 to 54 full-time employees during the year. Two part-time employees work 80 hours per month and two work 60 hours per month.

1. Count full-time employees = (See chart.)
2. Count part-time employees to get FTEs = (2 part-time x 80 hours per month) + (2 part-time x 60 hours per month) = 280 ÷ 120 = 2 FTEs
3. Add together full-time and FTEs for each month to get employees. (See chart.)
4. Add together employees for each month to get a yearly total. (See chart.) = 614
5. Divide yearly total by 12 months to get your monthly average. 614 ÷ 12 = 51 employees

Result: The company averages 51 employees per month, and they are a large employer for ACA purposes. (Note: Without the 2 FTEs added to each month for the part-time employees, Ozark Widget Co. would have been a small employer. 590 ÷ 12 = 49 employees.)