Payroll Plus Shared Responsibility
Reference Guide
Shared Responsibility

Beginning in 2015, the Shared Responsibility provision of the Affordable Care Act (ACA) mandates that applicable large employers (i.e., those with 50 or more full time and full time equivalent (FTE) employees during the preceding calendar year) must offer group health coverage to their full time employees (and dependents up to the age of 26) with the following criteria or potentially be liable for a penalty:

- Offer full time employees the opportunity to enroll in Minimum Essential Coverage (MEC) under an employer plan.
- Offer full time employees coverage that is affordable.

Resources for additional information about Minimum Essential Coverage (MEC) and how to determine if coverage is affordable can be found in the Where Do I Get More Help? section of this guide.

The penalties apply if both of the above conditions are not met and at least one of the company’s full time employees purchase coverage through a health insurance marketplace and is eligible for and receives a premium tax subsidy to help pay for their health coverage.

Employers with fewer than 50 full time (FT) and full time equivalent (FTE) employees are not subject to such a penalty regardless of whether they offer health coverage and/or employees purchase coverage through a marketplace. When determining if an employer is an applicable large employer (ALE), all companies that are part of a “controlled group” must be considered. See the Controlled Group and Related Employers for more information.

The tools provided in the Payroll application will help you as you determine whether your company may be considered an applicable large employer and, therefore, subject to Shared Responsibility.
FTE Calculator

To assist you in determining if your company may be an applicable large employer (ALE), and therefore subject to Shared Responsibility, the Payroll application will help you calculate the number of Full time employees (FT) and Full time Equivalent (FTE) employees from the employee information. Each time the Affordable Care Act page is accessed, the FTE Calculator calculates the number of FT and FTE employees. This ensures results are always based on the most current employee information.

Full Time Equivalency Year

To determine if your company may be considered an ALE for the current year, you must select the preceding calendar year. For example, to determine if you may be considered a large employer for 2018, select the year 2017.

Full Time Equivalency Results

The annual average of FT plus FTE employees.

- You may not be considered an Applicable Large Employer: Your calculated results came back with fewer than 50 full time (FT) and full time equivalent (FTE) employees. If you have related entities making you part of a controlled group for ACA purposes, the FT and the FTE count for each entity must be combined to determine
the employee count. See the **Controlled Group and Related Employers** section of this guide for more information.

- You may be considered an Applicable Large Employer: Your calculated results came back with 50 or more FT and FTE employees. If you have related entities making you part of a controlled group for ACA purposes, the FT and the FTE count for each entity must be combined to determine the employee count. See the **Controlled Group and Related Employers** section of this guide for more information.

**FT Employees**

Employees who worked on average 30 or more hours per week (or 130 or more hours per month). See the **How are FT and FTE Employees Determined?** section of this guide for more information.

**FTE Employees**

The full time equivalent of part-time employees (those who worked on average less than 30 hours per week). For the FTE calculation, the monthly hours for part-time employees are combined and then divided by 120. See the **How are FT and FTE Employees Determined?** section of this guide for more information.

**Note**: If the part-time employee works more than 120 hours but less than 130 hours during the month, only 120 hours must be included in the calculation.

**Seasonal Employees**

Under the ACA, an employer is not considered “an applicable large employer” if they exceed 50 FT and FTE employees for 120 or fewer days during a calendar year and the employees in excess of 50 during that period were seasonal workers. Employees who have been marked with the “Seasonal” indicator on the Employees > Payroll Info page in the application are automatically excluded from the FT and FTE total calculation.

**Note**: Your Company’s FTE count should only include common law employees. Sole proprietors, partners, or 2% or more S Corp shareholders, for example, should not be considered in your FTE count. Consult your tax advisor or legal counsel if you have questions regarding employee status.

⚠️ You should review your employee’s seasonal status to ensure all employees are correctly marked.
Controlled Group and Related Employers

The 50-employee threshold applies on a “controlled group” basis, which generally means that companies with 80% or more common ownership or control — or that are otherwise treated as a single employer under Internal Revenue Code section 414(b), (c), (m), or (o) — are treated as a single employer, and combined together for purposes of determining whether they employ at least 50 full-time employees, including FTEs. If the combined total meets the threshold, then each member of the controlled group is subject to the Shared Responsibility provisions, even if the individual member companies employ fewer than 50 full-time employees, including FTEs.

⚠️ The FTE Calculator considers each individual company code separately. Therefore, if you have related entities that would be considered a controlled group you will need to consider the results of all companies combined.
ACA Employee Detail Report

Using your payroll data, the ACA - Employee Detail Report provides information to help you determine if your company is considered an applicable large employer as defined by the Affordable Care Act (ACA). For each employee, the report includes a monthly average of hours, 9.56% of W-2 Box 1 wages (to help you determine whether the coverage you offer is considered affordable under the ACA), and a seasonal employee indicator. It also includes your company’s full-time and full-time equivalent employee counts, based on the information you provide in your payroll application. You can print this report or export it to an Excel spreadsheet.

Review the following sections of the report for details on how these calculations are determined.

Section 1 – Report Name and Year

- Year: Selected year for calculating FT and FTE employees.

Section 2 – FTE Determination

- FT: The employees with credited service hours of 130 hours or more per month. This report provides you with the annual average of FT employees.
- FTE: The full time equivalent of part-time employees (those who worked on average less than 30 hours per week). For the FTE calculation, the monthly hours of part-time employees are
combined and divided by 120. This report provides you with the annual average of this calculation. **Note:** If the part-time employee works more than 120 hours but less than 130 hours during the month, only 120 hours must be included in the calculation.

- **Total FT and FTEs:** A total sum of all employees determined to be full-time and full-time equivalent employees.
- **Sum of all employees determined to be Seasonal.** Seasonal employees are not included in your FT or FTE count. 
  **Note:** Your Company’s FTE count should only include common law employees. Sole proprietors, partners, or 2% or more S Corp shareholders, for example, should not be considered in your FTE count. Consult your tax advisor or legal counsel if you have questions regarding employee status.

One of the following messages on the report indicates the results of the calculation:

- You may not be considered an applicable large employer.
- You may be considered an applicable large employer.
- Our records indicate that you may have seasonal employees.

### Section 3 – Calculation Method

The method PAYROLL PLUS used to determine the FT status or FTE number for each month. For more information, see the **How are Full time Employees and FTEs Determined?** section of this guide.

### Section 4 – Detail

- **Employee:** Employee Name (Last Name, First Name, and Middle Initial).
- **Date of Birth:** The date the employee was born.
- **SSN:** The employee’s nine-digit Social Security number. For security purposes the employee’s Social Security number is hidden. When you export the report to Excel, the employee’s full Social Security number will be displayed for filing purposes.
- **Hire Date:** The date the employee was hired.
- **Term Date:** The date the employee was terminated.
- **FT/PT/Temp:** FT, PT, or Temp (as indicated in PAYROLL PLUS). Indicators are not calculated.
- **9.56% W-2 Box 1 Wages:** 9.56% of W-2 Box 1 Federal Taxable wages.
- **Seasonal:** Yes or No (as indicated in PAYROLL PLUS). Indicators are not calculated.
Payroll Frequency: Pay frequency description.

Hours by Month: Total hours recorded or calculated for each month. (FT status or the FTE count per month, by employee).

How Are Full Time Employees and FTEs Determined?
The calculations for FT and FTEs are based on employee hours captured in the payroll application (though payrolls run or any hour data entered during initial set up) and employee status information. When employee payroll hours have been captured throughout the calendar year (i.e., from payrolls), the application will use these actual hours for calculating FT and FTEs.

In cases where no employee hours are found (for example, a salaried employee for whom hours are not tracked), the application looks at the employee’s employment status (Part Time, Full Time or Temporary) on the Employee Information page. If an employee status is Part Time or Temporary, the application uses 29.9 hours per week and applies this to all calculations. If the employee status is Full time, the application uses 40 hours per week and counts this employee as a Full time employee for all calculations.

Seasonal Employees
For purposes of the calculations, the payroll application excludes seasonal employees (i.e., Seasonal Employee field marked Yes on the Employees > Payroll Info screen) from the FTEs total calculations. Note: Your Company’s FTE count should only include common law employees. Sole proprietors, partners, or 2% or more S Corp shareholders, for example, should not be considered in your FTE count. Consult your tax advisor or legal counsel if you have questions regarding employee status.

You should review your employee’s seasonal status to ensure all employees are correctly marked.

Calculation Method
FTE employees are calculated by adding all the hours worked by part-time employees (those working less than 30 hours per week) in a month and dividing by 120.

Calculations are based on the hours entered on a check-date basis.

If no hours are entered, the system defaults to 40 hours per week for full-time employees and 29.9 hours per week for part-time and temporary employees.

Estimates should reflect hours actually worked and the hours for which the employee is paid weekly.
- Review all hours for accuracy and to ensure that employees’ hours have not been understated or overstated.
- The calculator is used to estimate your employer size for the purposes of determining employer size and reporting requirements and should not be used to determine employee benefit eligibility status.

**Calculations**

For each employee, the total number of monthly hours is calculated for each month of the year, as follows:

<table>
<thead>
<tr>
<th>If hours are</th>
<th>Then</th>
</tr>
</thead>
<tbody>
<tr>
<td>130 or more</td>
<td>The employee is considered FT, for the month</td>
</tr>
<tr>
<td>120 or more, but less than 130</td>
<td>The employee is equivalent to 1 FTE, for the month</td>
</tr>
<tr>
<td>Less than 120</td>
<td>The hours are divided by 120, totaling a fraction of a FTE, for the month</td>
</tr>
</tbody>
</table>

- FTEs are totaled for one month at a time.
- The total of FTEs for each month is rounded up to 2 decimal points.
- The number of FT employees is added to the number FTEs to arrive at the total for each month.
- The monthly totals are added together, then divided by the number of months the client is active (i.e. having more than 0 hours). That number is then rounded down to the next lowest whole number to arrive at the final FT and FTE count for the year. When information is available, PAYROL PLUS bases calculations on the employee data you've provided.
- **Important:** The FTE Calculator considers each individual Company Code separately. Therefore, if your company has related companies as part of a controlled group, you need to combine the results of all of the companies to come up with a final number of FT and FTE employees.

**Example:**

If an employer had 20 Full time (FT) employees working at least 130 hours per month and 45 part-time employees who work 120 hours per month, the employer may be subject to Shared Responsibility based on the following calculations.
- **FT Employees = 20:** 20 employees working at least 130 hours per month.
FTE Employees = 45: 45 employees working 120 hours per month each, equals 45 FTE employees.

20 FT + 45 FTE Employees = 65 FT and FTE Employees: Because this employer has at least 50 FT and FTE employees, they would be subject to Shared Responsibility.

*The assumption is that the employer had more than zero hours for all 12 months.

**Where Do I Get More Help?**

See [Healthcare.gov](http://Healthcare.gov) for more information about Shared Responsibility and other provisions of the Affordable Care Act.

On any page in the application, click 🎨 for a quick overview of the current page. Click the Need More Help link for help with fields and tasks on the current page. At the top of the Help window, click the Search tab, type a word or a phrase you want to find, and click Search.