

Shared Responsibility Reference Guide

V2024



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Shared Responsibility

Beginning in 2015, the Shared Responsibility provision of the Affordable Care Act (ACA) mandates that **applicable large employers** (that is, 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.

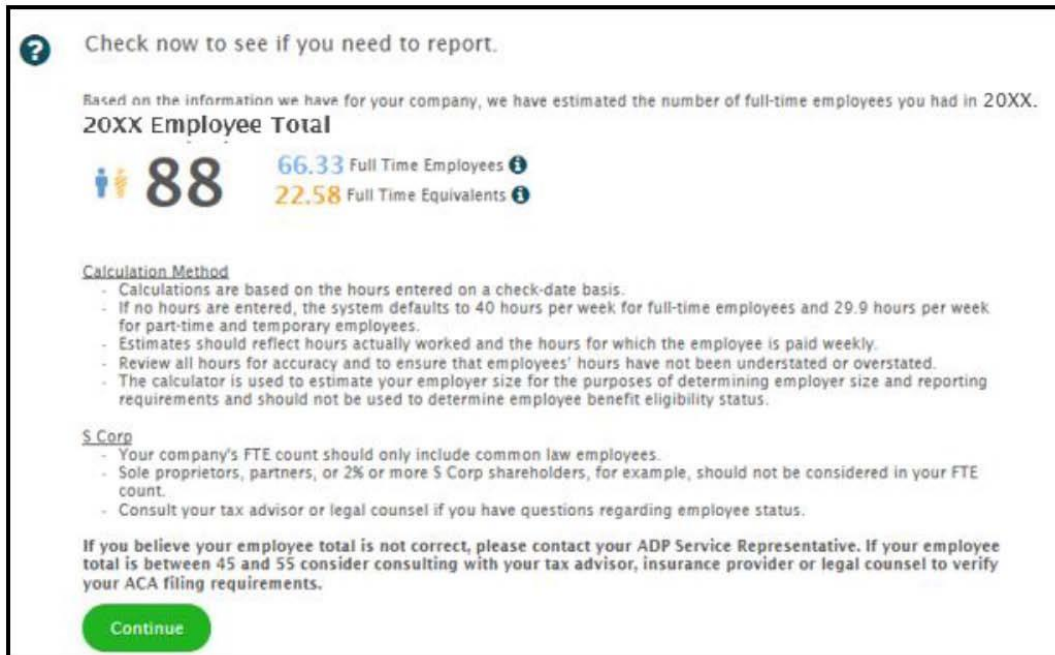
The penalties apply if both above conditions are not met and at least one of the company's full-time employees purchase coverage through a health insurance marketplace *and* is eligible for and receives a premium tax subsidy to help pay for their health coverage.

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 [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.

Full Time Equivalent (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 you enter in the payroll application. Each time the Affordable Care Act page is accessed, the FTE Calculator calculates the number of FT/FTE employees with the most recent information entered in the payroll application. This ensures results always show the most current information.



The screenshot displays a user interface for the FTE Calculator. At the top, it prompts the user to "Check now to see if you need to report." Below this, it states, "Based on the information we have for your company, we have estimated the number of full-time employees you had in 20XX." The main results are: "20XX Employee Total" of 88, consisting of 66.33 Full Time Employees and 22.58 Full Time Equivalents. A "Calculation Method" section lists several points: calculations are based on 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; users should review all hours for accuracy; and the calculator is used for determining employer size and reporting requirements. A "S Corp" section notes that only common law employees should be included, and sole proprietors, partners, or 2% or more S Corp shareholders should not be considered. A final note advises contacting an ADP Service Representative if the total is incorrect, or a tax advisor if the total is between 45 and 55. A green "Continue" button is at the bottom.

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 2024, select the year 2023.

Full-Time Equivalency Results

The annual average of full-time plus full-time equivalent 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 [Controlled Group and Related Employers](#) for more information.

You may be considered an Applicable Large Employer: Your calculated results came back with 50 or more 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 [Controlled Group and Related Employers](#) for more information.

Full-Time Employees

Employees who worked on average 30 or more hours per week (or 130 or more hours per month). See [How are Full-Time Employees and FTEs Determined?](#) for more information.

Full-Time Equivalent (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 [How are Full-Time Employees and FTEs Determined?](#) 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 full-time (FT) and full-time equivalent (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 **status** to ensure all employees are correctly classified.

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, 8.39% 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.

ACA - Employee Detail																											
FTE Determination																											
Full Time Employees: 1.00										<p>You may not be considered an Applicable Large Employer. The FTE Calculator results and Supporting Reports are for this company only. If you have related entities making you part of a controlled group for ACA purposes, the FTE count for each entity must be combined to determine employee count.</p> <p>To be subject to Shared Responsibility you must be considered an applicable large employer. Remember, an ALE is an employer who employed (along with members of its controlled group) an average of at least 50 full-time employees (including full-time equivalent employees) on business days during the preceding calendar year. The calculator is used to estimate your employer size for the purposes of determining ALE status and reporting requirements and should not be used to determine employee benefit eligibility status.</p> <p>Please note: If you have any questions about ACA mandates and their implications, consult your legal counsel or your tax advisor.</p>																	
Full Time Equivalents: 3.33																											
Total FT and FTEs: 4																											
Seasonal Employees: 0																											
Calculation method																											
<p>These calculations are based on the hours entered on a check-date basis.</p> <p>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.</p> <p>These estimates should reflect the hours actually worked and the hours for which the employee is paid weekly.</p> <p>Review all hours for accuracy and to ensure that your employees' hours have not been understated or overstated.</p> <p>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.</p> <p>S Corp 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.</p>																											
Detail																											
	Hours by Month																										
	Jan		Feb		Mar		Apr		May		Jun		Jul		Aug		Sep		Oct		Nov		Dec		Calculation Method		
Employee	Hrs	FT/ FTE	Hrs	FT/ FTE	Hrs	FT/ FTE	Hrs	FT/ FTE	Hrs	FT/ FTE	Hrs	FT/ FTE	Hrs	FT/ FTE	Hrs	FT/ FTE	Hrs	FT/ FTE	Hrs	FT/ FTE	Hrs	FT/ FTE	Hrs	FT/ FTE			
Albright, Marianna	DOB : 03/29/1966 SSN : xxx-xx-0000 Hire : 12/26/2010 Term :		FT/PT/Temp : FT 9.69% W2 Box 1 wages : \$122.19 Seasonal : N Payroll Freq : Weekly																								
	0	0.0000	0	0.0000	0	0.0000	0	0.0000	0	0.0000	0	0.0000	80	0.6667	0	0.0000	0	0.0000	0	0.0000	0	0.0000	0	0.0000	0	0.0000	Hours worked
Alvarez, Maria	DOB : 05/10/1964 SSN : xxx-xx-0000 Hire : 04/19/2013 Term :		FT/PT/Temp : FT 9.69% W2 Box 1 wages : \$116.28 Seasonal : N Payroll Freq : Weekly																								
	0	0.0000	0	0.0000	0	0.0000	0	0.0000	0	0.0000	0	0.0000	80	0.6667	0	0.0000	0	0.0000	0	0.0000	0	0.0000	0	0.0000	0	0.0000	Hours worked
Lee, Kim	DOB : 06/10/1980 SSN : xxx-xx-0000 Hire : 12/03/2012 Term :		FT/PT/Temp : FT 9.69% W2 Box 1 wages : \$158.92 Seasonal : N Payroll Freq : Weekly																								
	0	0.0000	0	0.0000	0	0.0000	0	0.0000	0	0.0000	0	0.0000	172	FT	0	0.0000	0	0.0000	0	0.0000	0	0.0000	0	0.0000	0	0.0000	Hours worked
Lopez, Carmine	DOB : 09/23/1989 SSN : xxx-xx-0000 Hire : 02/28/2013 Term :		FT/PT/Temp : FT 9.69% W2 Box 1 wages : \$125.97 Seasonal : N Payroll Freq : Weekly																								
	0	0.0000	0	0.0000	0	0.0000	0	0.0000	0	0.0000	0	0.0000	80	0.6667	0	0.0000	0	0.0000	0	0.0000	0	0.0000	0	0.0000	0	0.0000	Hours worked
Wood, Clifford	DOB : 03/29/1966 SSN : xxx-xx-0000 Hire : 04/20/2016 Term :		FT/PT/Temp : FT 9.69% W2 Box 1 wages : \$94.96 Seasonal : N Payroll Freq : Weekly																								
	0	0.0000	0	0.0000	0	0.0000	0	0.0000	0	0.0000	0	0.0000	80	0.6667	0	0.0000	0	0.0000	0	0.0000	0	0.0000	0	0.0000	0	0.0000	Hours worked
Young, Joan	DOB : 03/29/1966 SSN : xxx-xx-0000 Hire : 06/16/2016 Term :		FT/PT/Temp : FT 9.69% W2 Box 1 wages : \$122.09 Seasonal : N Payroll Freq : Weekly																								
	0	0.0000	0	0.0000	0	0.0000	0	0.0000	0	0.0000	0	0.0000	80	0.6667	0	0.0000	0	0.0000	0	0.0000	0	0.0000	0	0.0000	0	0.0000	Hours worked
Totals																											
Full Time Employees (130 hours or more)	0		0		0		0		0		0		1		0		0		0		0		0		0	1 / 1 = 1.0000	

Section 1 – Report Name and Year

- **Report Name:** ACA – Employee Detail Report.
- **Year:** Selected year for calculating Full-Time and Full-Time Equivalent employees.

Section 2 – FTE Determination

- **Full-Time Employees (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.
- **Full-Time Equivalents (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.
- **Seasonal 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.

If you believe your employee total is not correct, contact your ADP Service Representative. If your employee total is between 45 and 55, consult with your tax advisor, insurance provider, or legal counsel to verify your ACA filing requirements.

Section 3 – Calculation Method

- The method RUN used to determine the FT status or FTE number for each month. For more information, see [How are Full-Time Employees and FTEs Determined?](#)

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 RUN). Indicators are not calculated.
- **8.39% W-2 Box 1 Wages:** 8.39% of W-2 Box 1 Federal Taxable wages.
- **Seasonal:** Yes or No (as indicated in RUN). 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 (that is, 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 from the FTEs total calculations. For example, select **Yes** next to the Seasonal Employee field on the **Employee > Payroll Info** page.

Note: Your company's FTE count should only include common law employees. For example, sole proprietors, partners, or 2% or more S-Corp shareholders, shouldn't 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 classified.

Calculation Method

- Full-Time Equivalent 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 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:

If hours are	Then
130 or more	The employee is considered FT, for the month
120 or more, but less than 130	The employee is equivalent to 1 FTE, for the month
Less than 120	The hours are divided by 120, totaling a fraction of a FTE, for the month

1. FTEs are totaled for one month at a time.
2. The total of FTEs for each month is rounded up to 2 decimal places.
3. The number of FT employees is added to the number FTEs to arrive at the total for each month.
4. The monthly totals are added together, and then divided by the number of months the client is active (such as having more than 0 hours). Finally, that number is rounded down to the next lowest whole number equaling the final FT and FTE count for the year.
When information is available, RUN bases calculations on the employee data you provided.

Important: The FTE Calculator considers each individual Company Code separately. So, if your company has related companies as part of a controlled group, you need to combine the results of all the companies to come up with a final number of FT and FTE employees.

Example

If an employer had 20 FT employees working at least 130 hours per month and 45 PT employees working 120 hours per month, the employer may be subject to Shared Responsibility based on these calculations below.

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?

Several resources are available for more information about Shared Responsibility and other provisions of the Affordable Care Act.

- [ADP.com Health Compliance](#)
- [ADP Eye on Washington](#)
- [Healthcare.gov](#)

On any page in the application, click  for a quick overview of the current page. Click **Need more help** for tips on using fields and tasks on the page. At the top of any page in the payroll application, click in the **Search** field to type a question or concept and you'll be directed to either the answer or the page you need to finish your task.