

REMINDER: How to Determine Applicable Large Employer (ALE) Status

An employer which has **at least 50 full-time employees** – including full-time equivalent employees (FTEs) – on average, during the **prior** year, is generally considered an “applicable large employer” (ALE) under the Affordable Care Act (ACA) for the **current** calendar year. These employers are subject to the ACA’s employer shared responsibility (“pay or play”) provisions and information reporting requirements (Forms 1094-C and 1095-C).

Here are the steps to determine whether an employer is an ALE:

1. Determine how many full-time employees the employer had in each month of the **prior** year. For this purpose, a full-time employee for any calendar month is one who has, on average, **at least 30 hours of service per week** (130 hours of service in a calendar month is treated as the monthly equivalent of at least 30 hours of service per week).
2. Determine how many FTEs the employer had in each month of the **prior** year. To do this, combine the number of hours of service of all non-full-time employees for the month – but no more than 120 hours per employee – and divide that total by 120.
3. For each calendar month, add the employer’s full-time and FTEs for a monthly total. Add the monthly totals, and divide the sum of the monthly totals by 12. If the result is **50 or more employees**, the employer is an ALE for the **current** calendar year (unless an exception related to seasonal workers applies).

Note: Small employers that individually do not employ 50 or more full-time employees or FTEs **may still be subject to the pay or play requirements if they meet the threshold when combined with other companies under common ownership** or that are otherwise related. *(The rules for combining related employers do not apply for purposes of determining whether a particular company owes a penalty or the amount of any penalty. That is determined separately for each related company.)*

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