



HCTT-2015-30: The Affordable Care Act and Employers: Why Workforce Size Matters

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The Affordable Care Act and Employers: Why Workforce Size Matters

The Affordable Care Act contains several tax provisions that affect employers. Under the ACA, the size and structure of a workforce – small, or large – helps determine which parts of the law apply to which employers.

The number of employees an employer had during the prior year determines whether it is an applicable large employer for the current year. This is important because two provisions of the Affordable Care Act apply only to applicable large employers. These are the employer shared responsibility provision and the employer information reporting provisions for offers of minimum essential coverage.

An employer's size is determined by the number of its employees.

- An employer with 50 or more full-time employees or full-time

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equivalents is considered an applicable large employer – also known as an ALE – under the ACA.

- For purposes of the employer shared responsibility provision, the number of employees a business had during the prior year determines whether it is an ALE the current year. Employers make this calculation by averaging the number of employees they had throughout the year, which takes into account workforce fluctuations many employers experience.
- Employers with fewer than 50 full-time or full-time equivalent employees are not applicable large employers.
- Calculating the number of employees is especially important for employers that have close to 50 employees or whose work force fluctuates during the year.

To determine its workforce size for a year, an employer adds the total number of full-time employees for each month of the prior calendar year to the total number of full-time equivalent employees for each calendar month of the prior calendar year. The employer then divides that combined total by 12.

For more information, visit our [Determining if an Employer is an Applicable Large Employer](#) page on IRS.gov/aca.

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