

Have Fewer Than 50 Employees? Here is How the Health Care Act Affects You

Article Highlights:

- Under the 50-Employee Threshold
- Determining the 50-Employee Threshold
- Full-Time Employee
- Equivalent Full-Time Employees
- Information Return Requirements
- SHOP Marketplace
- Small Business Health Care Credit

When Congress came up with the Affordable Care Act (ACA), they carved out two basic categories of businesses, those with 50 full-time employees and/or full-time equivalent employees (FTEEs) and those with fewer than 50 employees. Under the ACA, businesses in the first category have a requirement to offer affordable insurance to their full-time employees and their dependents. If you are an employer with fewer than 50 full-time employees or FTEEs, you are not subject to the insurance requirement, but there are still some ACA issues you need to be aware of.

First of all, you need to make sure you are in the under-50 category, because the penalties can be backbreaking if you aren't and you didn't offer affordable health coverage. Determining if your business meets or exceeds the 50-employee threshold requires maneuvering through lots of special rules, and not all of these intricacies can be covered in this article.

Generally, the 50-employee threshold is determined by adding together the number of full-time employees and the total number of full-time equivalent employees for each calendar month of the prior calendar year and dividing that total number by 12.

Full-time employees are generally those working 30 hours or more per week, and the number of FTEEs is determined by dividing all the hours worked by part-time employees for the month by 120. In addition, certain employees, such as seasonal employees, are excluded from the count. If you have any doubt whether you are under the 50-employee threshold, please call this office for assistance.

If you are under the 50-employee threshold, you are not subject to any ACA information reporting that is required of larger employers—with one exception. If you provide insurance and you are self-insured, then you are required to annually file a Form 1094-C along with a 1095-C for each employee.

If you wish to provide insurance to your employees, even though you are not required to since you are under the 50-employee threshold, you are allowed to purchase health insurance coverage through the Small Business Health Options Program, better known as the SHOP Marketplace. Even though purchased through the Marketplace, this type of group coverage does not qualify your employees for the premium tax credit subsidy they might otherwise be entitled to if they acquired coverage directly from the individual policy Marketplace.

As an enticement for employers that have fewer than 25 FTEEs with average annual wages of less than \$50,000 to provide health insurance to their employees, the ACA added a small business health care tax credit. To qualify, the business needs to purchase the health insurance through the SHOP Marketplace and cover at least 50 percent of their full-time employees' premium costs. However, this credit applies for only 2 years, after which time the employer will receive no further financial

assistance from Uncle Sam. A recent General Accounting Office report noted that far fewer small businesses were taking advantage of the credit than expected by Congress.

If you have questions, need assistance in determining whether you meet the 50-employee threshold, or would like to determine the benefit of the small business health care tax credit, please give this office a call.