



Calculating the Full-Time Equivalent (FTE) Count

To determine the FTE count, employees must follow the calculations below for each of the 12 calendar months of the preceding calendar year. Only certain employees* can be excluded from the FTE calculation.

Variable Descriptions	Equation
(A) Number of Employees working 130 or more hours in a month	Total > 130 hours: _____(A)
(B) Add all hours in the month for employees working between 0–129 hours in the month (those working between 120–129 hours should be counted at a maximum of 120 hours), then divide by 120	Total hours of EEs working between 0–129 hours: _____/120= _____(B)
(C) Add answers above to get the FTE for the month	(A)+(B)=_____(C)
<i>Once the employer has calculated the FTE count for each calendar month in the preceding year:</i>	
(D) Total all months for the year	Total for all months (Cs):_____(D)
(E) Divide total months by 12 to get the FTE count	(D) / 12 = _____(E) [always round down to the whole number]

Common Control

When determining FTE's, employers must apply the "Controlled group" and "affiliated service group" rules under the Internal Revenue Code. This generally means that subsidiaries and affiliated companies are combined and considered to be a single employer.

Seasonal Employees

Generally, employers with 50 or more full-time equivalent employees are subject to the Employer Mandate. One exception is for some employers with seasonal workers.

If an employer calculates 50 full-time equivalents, but the employer's workforce exceeds 50 FTEs for 120 days or fewer (or four calendar months or fewer), and the employees in excess of 50 are seasonal workers, then the employer would not be an applicable large employer. The 120 days of four calendar months are not required to be consecutive.

The information in this document is based on preliminary review of the national health care reform legislation and is not intended to impart legal advice. The federal government continues to issue guidance on how the provisions of national health reform should be interpreted and applied. The impact of these reforms on individual situations may vary. This overview is intended as an educational tool only and does not replace a more rigorous review of the law's applicability to individual circumstances and attendant legal counsel and should not be relied upon as legal or compliance advice. As required by the U.S. Treasury Regulations, note that any tax information contained in this communication is not intended to be used and cannot be used by any taxpayer to avoid penalties under the Internal Revenue Code.

**Excluded from FTE counts are: a sole proprietor, a partner in a partnership, a member of a limited liability company taxed as a partnership, a two percent or more S corporation shareholder, an employee paid by a staffing agency, including those whose services meet the "leased employee" definition of Code Section 414(n), and employees who have medical coverage under TRICARE or certain Veterans Administration programs.*