

ACA Compliance: Applicable Large Employer (ALE) Determination

Each employer must annually determine whether it is an “Applicable Large Employer” (ALE) subject to the ACA’s employer mandate and related ACA IRS reporting responsibilities.

Under the employer mandate, ALEs are required to offer all Full Time (FT) employees affordable group health coverage (“Minimum Essential Coverage”) that meets minimum value thresholds (a plan with 60%+ actuarial value). ALEs must also offer group coverage to FT employees’ dependent children up to age 26.

The employer’s ALE status must be evaluated annually on or around January 1, in accordance with federal ACA law. To make the calculation, the employer must average the size of its workforce for all 12 months of the preceding calendar year.

For each month of 2022, the employer must count its Full Time (FT) employees and its Full Time Equivalent (FTE) employees, then average those 12 results to get its final workforce size.

If the group size average is 50 or more FT + FTE, then the employer is an ALE for all 2023 – meaning it must comply with the ACA’s employer mandate for all of 2023 and must report to the IRS in 2024 on the coverage it offered (or didn’t offer) to FT eligible employees.

If the employer has fewer than 50 FT + FTE employees in this calculation, then it is not an ALE in 2023 and is not mandated to offer health coverage or report offers of coverage to the IRS in 2024.

An employer’s ALE status will remain in place for the entire calendar year going forward, regardless of fluctuations in its workforce size. January 1st is the only time an employer’s ALE status can change.

The ACA considers an employee to be FT if the person averages at least 30 hours of service per week or 130 hours of service per month. FTEs are fractions of FT employees who, when totaled together, equal the equivalent of one FT employee.

To calculate FTE count, total the part-time employees’ hours of service for each month (using a maximum of 120 hours for each PT employee, even if he or she averaged 121-129 hours of service), and divide each month’s total by 120.

For more information please contact:

Karaki Business Services, Inc.
12881 Knott St. Suite 212
Garden Grove, CA 92841
657-227-8041 Office 714-244-0143 Mobile
CA Lic# 6006160 info@karakibusiness.com