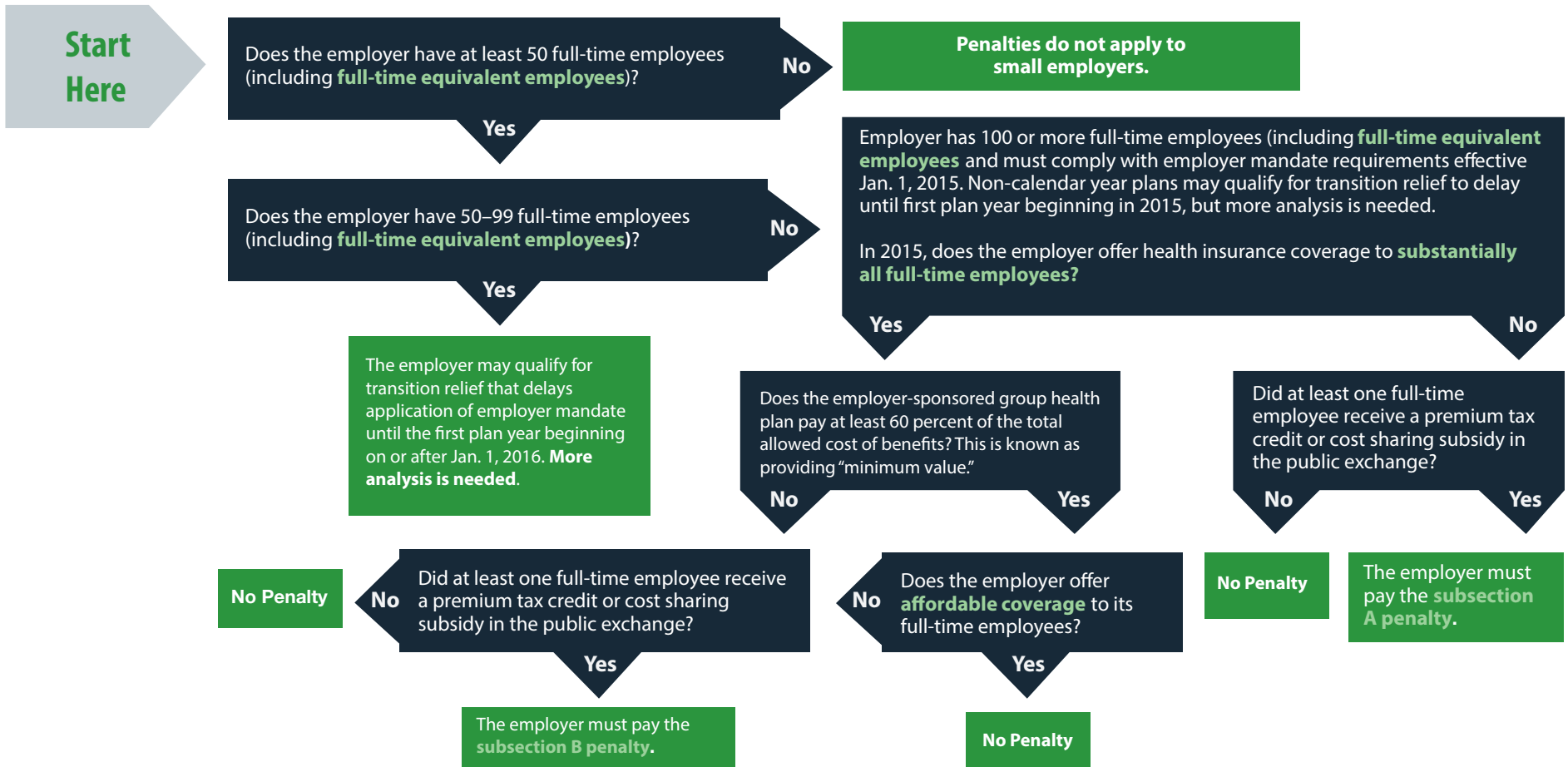


# Employer Mandate Flowchart



## IMPORTANT TERMS AND DEFINITIONS

### FULL-TIME EQUIVALENT EMPLOYEES

Full-time equivalent employees are calculated by first identifying employees working 120 hours or less in a month. Once those employees are identified, add their total monthly hours worked and divide by 120. Add this total to the number of full-time employees already counted (employees who work 30 hours or more a week) to determine if the employer has at least 50 full-time employees (including full-time equivalents).

### AFFORDABLE COVERAGE

Coverage under an employer-sponsored group health plan is affordable for an employee if the employee's required premium for the lowest cost single coverage option does not exceed 9.56 percent for 2015 (9.66 percent for 2016) of the employee's household income. Under IRS approved safe harbors, employers can use either Form W-2 Box 1 wages, the employee's rate of pay or the federal poverty line as the threshold for determining whether coverage is affordable. Ask your advisor for details.

### SUBSECTION A PENALTY

The subsection A penalty equals \$2,080 for 2015 (\$2,160 for 2016) annually for each full-time employee, minus the first 30 employees. For 2015 only (including any calendar months that fall within the employer's 2015 plan year), the penalty will be allocated by subtracting the first 80 employees (rather than 30). Regardless of the year in question, any employee reduction must be allocated on a pro rata basis in the case of a controlled group.

### SUBSECTION B PENALTY

The subsection B penalty equals \$3,120 for 2015 (\$3,240 for 2016) annually for each full-time employee who received a premium tax credit. The total subsection B penalty can never exceed the subsection A penalty.

### SUBSTANTIALLY ALL FULL-TIME EMPLOYEES

For plan years beginning in 2015, in order to comply with the requirement to offer coverage to "substantially all" an employer's full-time employees and avoid assessment of the subsection A penalty, an applicable large employer must offer health insurance coverage to at least 70 percent of its full-time employees (those employees working 30 hours/week or 130 hours/month) and their dependents (note there is an additional transition rule for some employers to phase in dependent coverage under limited circumstances).

For plan years beginning in 2016, this requirement increases to the greater of 95 percent or 5 full-time employees.

**For more information on health care reform, contact us at 844-ASK-NFP1 or visit [NFP.com](http://NFP.com).**

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