Setting ACA Status in the Payroll System

Clients of *HowardSimon* do not need to worry about the ACA's new reporting requirements for employers - *HowardSimon* will file Form 1094-C and Form 1095-C on your behalf. To ensure accurate filing, employers must keep employee information up to date within the payroll system. We will begin running compliance testing and configuring reporting as early as August, so please try to have the status of your employees updated by **July 31, 2015**.

The first step in the process is to classify employees and determine your total number of employees, according to ACA regulations. In the future, we will be requesting more detailed information regarding your corporate structure and your specific insurance coverage. We will send additional correspondence on these items later in the coming months.

If you are an employer who had 50 employees (part-time and full-time combined) in 2014, please use the instructions provided to setup the ACA status within the payroll system. Employers with fewer than 50 employees in 2014 do not need to configure the ACA status for employees.

Before we begin, let's address a few commonly asked questions . . .

What is a full-time employee?

A full-time employee completes, on average, at least 30 hours of service per week, or at least 130 hours of service in a calendar month. (Note: teachers and other education employees count as full-time employees even though their hours may differ from a traditional full-time schedule.)

What is a part-time employee?

A part-time employee works more than 120 days per year but completes fewer service hours than required to be considered full-time. Seasonal employees (working 120 or fewer days per year) do not factor into determining an employer's ALE status and filing requirements; employers need to categorize employees as seasonal in the payroll system.

What is considered a service hour?

A service hour equates to an hour that an employee is paid, or entitled to payment for the performance of duties for the employer. Employers must also include hours for which an employee does not perform duties but is paid or entitled to payment, such as vacation, holiday, illness, incapacity (including disability), layoff, jury duty, military duty of leave of absence, etc.

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How can employers determine if they are subject to ACA filing requirements?

Employers must comply with ACA filing requirements if they qualify as an applicable large employer (ALE). ALE status is based on the total number of combined full-time and full-time equivalent (FTE) employees. FTEs are determined by the service hours of part-time employees.

How are full-time equivalents calculated?

Full-time equivalent (FTE) employees are calculated by combining the total service hours of all part-time employees for the month (up to 120 hours per employee) and divided by 120. If the total number of hours worked by an employee is not a whole number, the employees' total is rounded down to the nearest whole number.

The provided instructions will aid employers only in configuring an ACA status of part-time or full-time for their employees; **employers do not need to take the time to calculate FTEs**. *HowardSimon* will be following up with more detailed information on how we will help our clients calculate FTEs and determine ALE status through reporting capabilities within the payroll system.

Instructions on Configuring the ACA Status for Employees: EE ACA Status Bulk Update Tab

You may have noticed that *HowardSimon*'s team has been hard at work updating the payroll system to assist with new regulations brought on by the Affordable Care Act (ACA). You will find new ACA-focused tools available to you, including the EE ACA Status Bulk Update tab.

Please do not hesitate to contact our customer service team to schedule time if you would like any assistance with this process.

Objective: Provide each existing employee with an ACA Status in the payroll system. By performing a bulk update with the EE ACA Status Bulk Update tab, the ACA Status tab will be updated under each employee (skip to page 4 for instructions on individually setting ACA status for employees).

1. Access the new EE ACA Status Bulk Update tab found under Company Setup within Company Maintenance.

2. The effective date should be set to 01/01/2014 in order to accommodate the look back period established by the IRS.

3. Change the ACA Status field to "No Status." The system will retrieve all unlabeled employees.

Please feel free to contact *HowardSimon* at 847-945-0340 for any assistance in utilizing filters to determine part-time and full-time status of your employees.

4. Select a single employee or multiple employees and use the *New Status* dropdown menu to categorize as part-time or full-time.

5. Mark the *Variable Hour* and *Seasonal* status of employees (if known) by utilizing the drop down menus available for these fields. Clicking Update Selected to set the employee status.

   - Variable employees are employees paid on an hourly basis without a fixed number of hours.
   - Seasonal employees work 120 or fewer days in the year.

6. You may refine the list into part-time or full-time employees by utilizing the filters and values; keep the ACA Status field as "No Status" to determine which employees need an ACA Status.

   If all applicable employees based on filtering have the same ACA Status, utilize the *Select All* button. Use the Ctrl key to individually select employees.

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Because of the unique setup of each company within the payroll system, employers must utilize the filters based on the pay structure of their company.

Useful Filters and Values

Filter	Value
Auto Pay	Hours
Auto Pay	Salary
Auto Pay	No Set
Employee Status	All Non-terminated
Employee Type	Regular Full-time
Employee Type	Regular Part-time

Please note: Values are based on the information already provided within the payroll system; therefore, only employees with an established employee type of part-time or full-time will be listed when using the Employee Type filter. If you currently do not utilize an Employee Type but would like to, please contact your dedicated support representative.

7. Click *Update Selected* to update the ACA Status of the selected employees.

8. The final step is to double check that all employees have an ACA status.

   Set Filter1 and Filter2 to Employee Status and set Value1 and Value2 to All Non-terminated. Select "No Status" from the *ACA Status* dropdown menu. The objective of this step is to discover if any employees remain without an ACA status. If so, individually enter a new status for each employee listed. Click the *Update Selected* button to add an ACA Status.

Updating Existing Individual Employees

For existing employees, the ACA Status tab now appears under each employee, allowing employers to mark the employee as part-time or full-time. Within the ACA Status tab, employers should also mark all applicable employees as Variable Hour, Seasonal, Exempt from Individual Mandate (more information regarding exemptions can be found at http://www.irs.gov/Affordable-Care-Act/Individuals-and-Families/Questions-and-Answers-on-the-Individual-Shared-Responsibility-Provision) and Premium Credit if the employee received a premium credit from healthcare.gov or the marketplace.

After setting an ACA Status for all employees, open the EE ACA Status Audit tab.

Instructions on Auditing the ACA Status for Employees: ACA Status Audit Tab

Another new useful ACA-focused tab is the ACA Status Audit tab. Employers should use this tab as a means to double-check the existing ACA Status of their employees; the tab cannot be utilized for employees with no status.

Objective: Verify that employees have the correct ACA status of Part Time or Full Time.

1. Select *Variable Hour Employee*.

2. Set the effective date to January 1, 2014. Select a 6 month measurement period from 2014, such as July 1, 2014 to December 31, 2014.

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3. Select the average hours to be calculated per month or per week (the IRS accepts either method).

4. Click the *Calculate Status* button and the system displays variable hour employees along with valuable information including the current ACA Status in the system, the employee's average hours, the projected ACA Status, and the New ACA Status (suggested by the system based on average hours). If the *New ACA Status* differs from the current ACA Status, the system highlights the employee.

5. Clicking on the *View* button under the Audit Results to display detailed information regarding the employee status and any discrepancies.

6. To accept the *Projected ACA Status*, click the *Update Status* button. To override the suggested status, click on the *New ACA Status* of the individual employee and use the dropdown menu to select the appropriate status.

7. Once finished modifying employees, click the *Update Status* button.

8. Repeat steps 1-7 for Non-variable hourly employees.

HowardSimon **will use the ACA status in the payroll system to file information on behalf of our clients; therefore, it is VERY IMPORTANT that employers enter an accurate ACA status for each employee. Please take the time to complete ACA status updates by July 31, 2015.**

Entering an ACA Status for New Employees

When adding a new employee into the payroll system, employers must now enter an ACA Status. An ACA Status field now appears within the New Employee wizard; this field allows employers to mark the employee as part-time or full-time.

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Helpful Examples on Filtering in the EE ACA Status Bulk Update Tab

Example of Updating Full-time Employees Using Filtering

Scenario: All auto paid, salaried employees are full-time.

Setting ACA Status:

1. Set *Filter1* to *Auto Pay* and *Value1* to *Salary*.

2. Set *Filter2* to *Employee Status* and *Value2* to *All Non-terminated*.

3. From the *New Status* dropdown menu, select *Full Time*.

4. Review the list to ensure that all employees listed are full-time If so, click *Select All* and click *Update Selected*.

5. Click Yes to Update Selected employees.
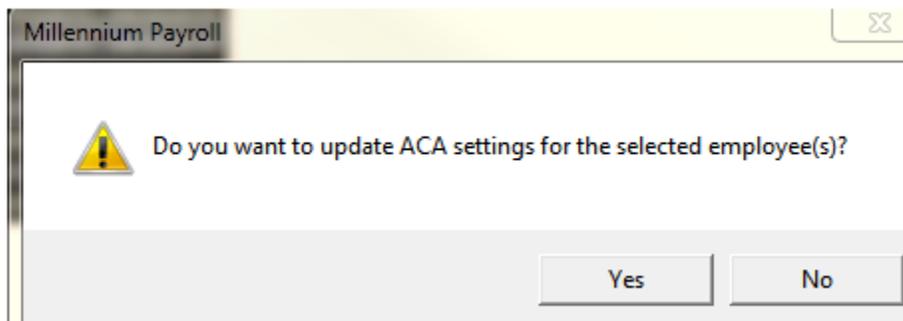
All employees being paid a salary on auto pay will have an ACA status of full-time.

> **Example of Updating Part-time Employees Using Filtering**
>
> **Scenario:** A business has a few part-time employees paid hourly. The employer reviews all the active employees in the payroll system and makes a list of hourly, part-time employees.

Setting ACA Status:

1. Set *Filter1* to Auto Pay and *Value1* to *Not Set*.

2. Set *Filter2* to *Employee Status* and *Value2* to *All Non-terminated*.

3. Select the part-time employees from your list by holding the Ctrl button and clicking on the name to highlight the employee.

4. From the *New Status* dropdown, select *Part Time* and click *Update Selected*.

All hourly, part-time employees will now have an ACA status of part-time.

If the hours of part-time employees vary, employers should set the *Variable Hour* field to *Yes*; the ACA status of these employees will be set to part-time and variable hour.

If part-time employees have set hours, the *Variable Hour* field should be set to *No*; the ACA status of these employees will be set to part-time and non-variable hour.