



Identifying Full-time Employees

Basic Information

Determining which employees are full-time employees is central to the employer shared responsibility provisions. An employer must identify its full-time employees as part of determining:

1. If it is an [ALE](#) and, therefore, subject to the employer shared responsibility provisions;
2. To whom it must offer minimum essential coverage to avoid an [employer shared responsibility payment](#); and
3. The amount of any potential liability for an [employer shared responsibility payment](#). Note that an employer is not obligated to calculate its liability, and should not make a payment without first being contacted by the IRS.

Definition of Full-Time Employee

For purposes of the employer shared responsibility provisions, a full-time employee is, for a calendar month, an employee employed on average at least 30 hours of service per week, or 130 hours of service per month.

There are two methods for determining full-time employee status:

- The monthly measurement method, and
- The look-back measurement method.

Under the monthly measurement method, the employer determines if an employee is a full-time employee on a month-by-month basis by looking at whether the employee has at least 130 hours of service for each month.

Under the look-back measurement method, an employer may determine the status of an employee as a full-time employee during what is referred to as the stability period, based upon the hours of service of the employee in the preceding period, which is referred to as the measurement period. The look-back measurement method may **not** be used to determine full-time employee status for purposes of ALE status determination.

For more information on each of these methods, see section 54.4980H-3 of the [ESRP regulations](#).

Hour of Service

An hour of service is:

- Each hour for which an employee is paid, or entitled to payment, for the performance of duties for the employer, and
- Each hour for which an employee is paid, or entitled to payment by the employer for a period of time during which no duties are performed due to vacation, holiday, illness, incapacity (including disability), layoff, jury duty, military duty or leave of absence.

[Exclusion from the definition of hour of service](#) is provided for services performed in certain capacities, which are not counted as hours of service for purposes of the employer shared responsibility provisions:

- Volunteer employees – Hours of bona fide volunteer service for a government entity or tax-exempt organization do not count as hours of service.
- Students performing work-study – Hours of service do not include hours performed by students as part of the federal work study program or a substantially similar program of a state or political subdivision.
- Members of religious orders – Until further guidance is issued, under certain circumstances, a religious order is permitted to not count as an hour of service work performed by an individual who is

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subject to a vow of poverty. For this exclusion to apply, the employee must be a member of the religious order and must be performing tasks that are usually required of active members of that order.

- Compensation that is not U.S. source income – Hours of service do not include hours for which an employee receives compensation that is taxed as income from sources outside the United States (generally meaning certain work overseas).

For more information about these exclusions, see our [Questions and Answers page](#) and section 54.4980H-1(a)(24) of the [ESRP regulations](#).

Application of Hours of Service to Certain Categories of Employees

Certain categories of employees have hours of service that are particularly challenging to identify or track. In other cases, general rules for determining hours of service in the employer shared responsibility regulations may present special difficulties. For these workers, employers are required to use a reasonable method of crediting hours of service that is consistent with the employer shared responsibility provisions. The preamble to the employer shared responsibility regulations provides guidance for the following categories on certain methods of determining hours of service that are reasonable and certain other methods that are unreasonable:

- Adjunct faculty
- Airline industry employees and others who work layover hours
- Employees who work on-call hours

For more information about determining hours of service for certain categories of employees, see Q&A #23 in our [Questions and Answers page](#) and section VI.C of the preamble to the [ESRP regulations](#).

More Information

More information about the employer shared responsibility provisions is available in our [Questions and Answers](#). The Department of the Treasury and the IRS have also issued the following legal guidance related to the employer shared responsibility provisions:

- [Regulations on the employer shared responsibility provisions](#)
- [Notice 2013-45 \(PDF\)](#), announcing transition relief for 2014.
- [Notice 2014-49 \(PDF\)](#), regarding a proposed approach to the application of the look-back measurement method in situations in which the measurement period applicable to an employee changes.

More information is also available in this [fact sheet \(PDF\)](#) issued by the U.S. Department of the Treasury.