

INDIRECT COSTS

Federal Financial Guidelines allow applicants to request indirect costs as a part of their grant budget. Agencies that have an Approved Federal Indirect Cost Rate can use this rate; if your agency does not have an approved rate you may request a percentage of your request. (See below for the percentage.)

Indirect costs are costs of an organization that are not readily assignable to a particular project, but are necessary to the operation of the organization and the performance of the project. Examples of costs usually treated as indirect include those incurred for facility operation and maintenance, depreciation, and administrative salaries. If an expense can be linked directly to the grant, it would be a direct cost, and not an indirect cost.

There are two ways to use an indirect cost rate:

- 1) The agency has a federally negotiated cost rate with a federal agency because the grantee already receives funds directly from a federal agency.
- 2) Grantees who have NEVER had a federally approved indirect cost rate agreement may use a de minimus rate of 10% of the Modified Total Direct Cost, or MTDC. This base includes all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and professional services/consultant contracts up to the first \$25,000 of each professional services/consultant contract. MTDC excludes equipment, capital expenditures, rental costs, tuition, scholarships, participant support costs, and the portion of each professional services/consultant contract in excess of \$25,000.

Examples Using the De Minimis Rate in a Budget:

1. Personnel: \$20,000
Fringe: \$4,400
Travel: \$1,000
Supplies: \$400
Equipment: \$0
Professional Services/Consultants: \$27,000
Total Direct Costs: \$52,800

Calculation for Modified Total Direct Costs (MTDC):

\$52,800 (total direct costs) - \$2,000 (amount over \$25,000 for professional services/consultants) =
\$50,800 (MTDC)

Indirect cost is 10% of the total MTDC: $\$50,800 \times 10\% = \$5,080$

Total Project Amount: \$52,800 total direct costs + \$5,080 indirect costs = \$57,880

2. Personnel: \$40,000
Travel: \$5,000
Supplies: \$400
Equipment: \$6,000
Professional Services/Consultants: \$5,000
Total Direct Costs: \$56,400

Calculation for Modified Total Direct Costs (MTDC):

\$56,400 (total direct costs) - \$6,000 (equipment) = \$50,400 (MTDC)

For more information please refer to *2CFR200: Uniform Administrative Requirements, Cost Principles and Audit Requirements (Uniform Guidance)*.

Indirect cost is 10% of the total MTDC: $\$50,400 \times 10\% = \$5,040$

Total Project Amount: $\$56,400$ total direct costs + $\$5,040$ indirect costs = $\$61,440$

3. Personnel: $\$50,000$
Travel: $\$1,000$
Supplies: $\$400$
Equipment: $\$0$
Professional Services/Consultants: $\$50,000$ (2 contracts – one for $\$30,000$ and one for $\$20,000$)
Total Direct Costs: $\$101,400$

Calculation for Modified Total Direct Costs (MTDC):

$\$101,400$ (total direct costs) - $\$5,000$ (amount over $\$25,000$ for professional services/consultants)
= $\$96,400$ (MTDC)

Indirect cost is 10% of the total MTDC: $\$96,400 \times 10\% = \$9,640$

Total Project Amount: $\$101,400$ total direct costs + $\$9,640$ indirect costs = $\$111,040$

NOW YOU TRY

Directions: Fill in the blanks below. Get with a partner if you prefer, or go it alone.

4. Personnel: $\$50,000$
Travel: $\$1,000$
Supplies: $\$400$
Equipment: $\$5,000$
Professional Services/Consultants: $\$25,000$
Total Direct Costs: $\$$ _____

Calculation for Modified Total Direct Costs (MTDC):

$\$$ _____ (total direct costs) - $\$$ _____ (any deductions) = $\$$ _____ (MTDC)

Indirect cost is 10% of the total MTDC: $\$$ _____ $\times 10\% = \$$ _____

Total Project Amount: $\$$ _____ (total direct costs) + $\$$ _____ (indirect costs) = $\$$ _____