

# Calculating Indirect Cost Rate Allowance for Grant Agreements

There are two different methods for determining an indirect cost rate to apply to a subrecipient's grant budget.

1. Negotiated Indirect cost rate allowance - Many entities work with their cognizant federal agency to obtain a federally negotiated indirect cost rate allowance, or NICRA. (Unless otherwise specified, the cognizant federal agency is the one with which the entity receives the largest amount of federal funds.) When subawarding or passing through federal funds to those entities, the NICRA rate should be utilized for the indirect rate.
2. De Minimis Rate - If the entity does not have a NICRA, the entity would be eligible for the 10% de minimis rate. The de minimis rate requires a calculation of allowable costs to be factored in while excluding a number of costs, resulting in the Modified Total Direct Costs (MTDC). It is not just 10% of the total award. You must conduct the calculation to arrive at the actual 10% allowable.

## Determine the Modified Total Direct Costs (MTDC)

- Include all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel specific to the project, and up to the first \$25,000 of each subaward if applicable (regardless of the period of performance of the subawards under the award).

## Exclude the following costs:

- Equipment
- Capital expenditures
- Charges for patient care, rental costs, tuition
- Remission, scholarships and fellowships,
- Participant support costs
- Portion of each subaward in excess of \$25,000 if applicable

The total of this amount is multiplied by the de minimis rate of 10%, resulting in the allowable amount of indirect costs.

## Example:

Personnel: \$40,000

Travel: \$5,000



Supplies: \$400

Equipment: \$6,000

Professional Services/Consultants: \$5,000

Total Direct Costs: \$56,400

### Calculation for MTDC:

\$56,400 (total direct costs)

- \$ 6,000 (equipment)

= \$50,400 (MTDC) 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

### Indirect Cost examples:

- Administrative Salaries and Wages (including/excluding fringe benefits) including Accounting/Payroll staff, Human Resources, Executive Director, Admin Assistant/Receptionist
- Rent and Utilities
- Bank Charges
- Audit costs
- Insurance—General Liability, Fidelity Bond, etc.
- Office Supplies
- Purchases
- Travel
- Depreciation
- Printing/Copying
- Equipment—Major: Lease/Repair and minor equipment purchase

Sample Calculation sheet to assist with calculating indirect costs: [MTDC Worksheet](#) (the Excel spreadsheet **must** be downloaded and saved to a drive in order to work, and is not accessible).

