**Using the De Minimis Rate**

(This document applies to nonprofit entities)

Grantees may use the 10% de minimis rate for indirect costs when they do not have an existing federally negotiated rate. Using the de minimis rate comes with additional considerations when filling out the budget justification spreadsheet, namely that grantees must calculate the Modified Total Direct Cost (MTDC) as outlined in 2 CFR 200.[[1]](#footnote-2)

Modified Total Direct Cost (MTDC)
If you are using the de minimis rate, you will first have to calculate MTDC and then take 10% to get your final indirect cost.
 ***What is included?***
MTDC includes all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first $25,000 of each subaward (regardless of the period of performance of the subawards under the award). The definition of "services" and what that includes can be discussed with your Program Manager and Grants Management Specialist for review.

***What is excluded?***
MTDC excludes equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs and the portion of each subaward in excess of $25,000. Other items may only be excluded when necessary to avoid a serious inequity in the distribution of indirect costs, and with the approval of the cognizant agency for indirect costs. While contractors can be categorized as a service, if your total amount of indirect costs appears to be excessively high, DOE may require further review and request adjustments to your Budget.

**FAQ**

1. **Do I have to use the de minimis rate?**
If you do not have a federal rate agreement, you must use the de minimis rate. However, you may prepare an indirect rate proposal to begin the indirect rate negotiation process at any time. Speak to your project officer for more information.
2. **Can I choose to use the de minimis rate if I already have a federally negotiated rate?**
No. You must use your federally negotiated rate. Note that depending on the grant, there are limits to the amount of administrative costs that can be included in the budget. For example, WAP Enhancement and Innovation (E&I) grants have an administrative cost limit of 15% of the total award. If your federally negotiated rate is high enough to put your administrative costs over 15% of the total grant, you will need to adjust your budget to be in compliance with WAP regulations.
3. **Do I have to use the de minimis rate if I’m in the process of negotiating my rate?**
Yes. You must use the de minimis rate until you have finalized your federal rate agreement. Once you have finalized your agreement, you may work with your project officer to modify your budget using your federally negotiated rate. If your indirect rate agreement is expired and you are waiting for approval from your Cognizant Agency for your new rate, you must continue to use your older rate until approval is granted.
4. **Can I include construction costs in my Modified Total Direct Cost (MTDC) calculation?**
It depends. If you (the primary applicant) are doing the construction work directly, construction costs are considered capital expenses and cannot be included in your calculation of MTDC. However, if you are hiring a contractor to perform construction work as part of your project objectives, you will treat that expenditure as vendor costs which can be included in MTDC.

***How to calculate MTDC – Example***

1. Open your budget justification spreadsheet and navigate to the **Indirect** tab. You will show your work in the **comment box** on this page (see Table 3 for an example). Based on our example, the applicable MTDC categories are **personne**l, **travel**, **supplies**, **vendors**, **other direct costs**, and **subrecipients**. To easily show your work in the comment box, you may consider using the following structure:
	* **MTDC** = $\_\_\_personnel + $\_\_\_fringe + $\_\_\_travel + $\_\_\_supplies + $\_\_\_vendors + $\_\_\_other direct costs + $\_\_\_subrecipients
	* **Indirect Costs** = MTDC x 0.10
2. Navigate to the **Instructions and Summary** tab. Table 1 below shows a hypothetical Instructions & Summary tab. The numbers populated in the table below aren’t meant to exemplify any particular project – they’re strictly for the purpose of demonstrating how a grantee could calculate MTDC.
3. Looking at the **Total Costs column**, plug the numbers from the following applicable categories into your MTDC calculation:

**MTDC** = **$450,000** personnel + **$60,000** fringe + **$30,000** travel + **$70,000** supplies + **$450,000** vendors + **$100,000** other direct costs + $\_\_\_subrecipients

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| **Table 1.** Example Instructions & Summary Table |
| **CATEGORY** | **Project Period 1** | **Project Period 2** | **Project Period 3** |  **Total Costs** |
| **a. Personnel** | $150,000 | $150,000 | $150,000 | $450,000  |
| **b. Fringe Benefits** | $20,000 | $20,000 | $20,000 | $60,000 |
| **c. Travel** | $10,000 | $10,000 | $10,000 | $30,000  |
| **d. Equipment** | $20,000 | $40,000 | $40,000 | $100,000 |
| **e. Supplies** | $10,000  | $30,000  |  $30,000 | $70,000  |
| **f. Contractual** |  |  |  |  |
| **Sub-recipient** | $90,000 | $25,000 | $70,000 | $185,000 |
| **Vendor** | $170,000 | $160,000 | $120,000 | $450,000 |
| **FFRDC** | $0 |  $0 |  $0 | $0  |
| **Total Contractual**  | $260,000 | $185,000 | $190,000 | $635,000 |
| **g. Construction** | $20,000  | $20,000  | $40,000  | $80,000  |
| **h. Other Direct Costs** | $40,000 | $20,000 | $40,000 | $100,000 |
| **Total Direct Costs** | $530,000  | $465,000 | $520,000 | $1,525,000  |
| **i. Indirect Charges** | - | - | - | - |
| **Total Costs** | - | -  | - | - |

1. Navigate to your **Contractual** tab. You will look at your Subrecipient section and your Vendor section separately because subrecipients are treated differently than vendors in the calculation of MTDC. As outlined in 2 CFR 200, there are important differences between subrecipients and vendors, so make sure they are categorized appropriately. See below for a refresher on the difference between subrecipients and vendors or proceed to **Step 5** on the next page.

*The difference between Subrecipients and Contractors (aka Vendors)[[2]](#footnote-3)*
	* Subrecipients. A subaward is for the purpose of carrying out a portion of the Federal award and creates a Federal assistance relationship with the subrecipient. These relationships are treated like collaborative partnerships. A subrecipient can:
		1. Determine who is eligible to receive what Federal assistance
		2. Has their performance measured in relation to whether objectives of a Federal program were met
		3. Has responsibility for programmatic decision-making
		4. Is responsible for adherence to applicable Federal Program requirements specified in the Federal award and the Special Terms and Conditions.
		5. In accordance with their agreement, uses the Federal funds to carry out a program for the purpose specified in authorizing statute, as opposed to providing goods or services for the benefit of the pass-through entity
	* Contractors. A contract is for the purpose of obtaining goods and services for the non-Federal entity’s own use and creates a procurement relationship with the contractor. A contractor:
		1. Provides the goods and services within normal business operations
		2. Provides similar goods and services to many different purchasers
		3. Normal operates in a competitive environment
		4. Provides goods or services that are ancillary to the operation of the Federal program
		5. Is not subject to compliance requirements of the Federal program as a result of the agreement, though similar requirements may apply for other reasons
2. **Add up your subrecipient costs.** You may only add up to $25,000 from each subrecipient towards MTDC. All vendor costs may be counted towards MTDC as highlighted in Table 1. See the **Table 2** below for an example of how to calculate subrecipient costs.

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| **Table 2.** Example Contractual Tab & MTDC Calculation |  |
| **Sub-RecipientName/Organization** | **Budget Period 1** | **Budget Period 2** | **Budget Period 3** | **Project Total** | *Calculation towards MTDC* |
| Subrecipient A | $10,000 | $10,000 | $0 | **$20,000** | +$20,000 |
| Subrecipient B | $50,000  | $10,000 | $50,000 | **$110,000** | +$25,000 |
| Subrecipient C | $30,000  | $5,000  | $20,000 | **$55,000** | +$25,000 |
| **Sub-total** | **$90,000** | **$25,000** | **$70,000** | **$185,000** | **$70,000** |
|  |  |  |  |  |  |
| **Vendor Name/Organization** | **Budget Period 1** | **Budget Period 2** | **Budget Period 3** | **Project Total** |
| Vendor A | $100,000 | $100,000 | $100,000 | **$300,000** |
| Vendor B | $20,000 | $10,000 | $20,000 | **$50,000** |
| Vendor C | $50,000  | $50,000  | $0 | **$100,000** |
| **Sub-total** | **$170,000** | **$160,000** | **$120,000** | **$450,000** |
| Recall that MTDC includes services (vendors) and up to $25,000 for each subaward (subrecipient). In this example, the grantee would count **$70,000** towards MTDC for their subrecipient costs. Remember that the $450,000 in vendor costs were accounted for in Step 3.  |
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1. **Navigate to your Indirect tab and calculate MTDC.** Be sure to show your work in the comment box (see Table 3). Add your number from Step 5 to your formula from **Step 3** to get your MTDC.
For reference that looks like:
	* **MTDC = $450,000** personnel + **$60,000** fringe + **$30,000** travel + **$70,000** supplies + **$450,000** vendors + **$100,000** other direct costs + **$70,000** subrecipients **= $1,230,000.**
2. **Calculate your Indirect Costs.** Take 10% of your MTDC to get your **total indirect costs.**
 **Indirect costs:** $1,230,000 x 0.10 = **$123,000**

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| **Table 3.** Indirect Costs Tab Comment Box |
| **You must provide an explanation (below or in a separate attachment) and show how your indirect cost rate was applied to this budget in order to come up with the indirect costs shown.** |
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| Additional Explanation (as needed): \*IMPORTANT: Please use this box (or an attachment) to further explain how your total indirect costs were calculated. If the total indirect costs are a cumulative amount of more than one calculation or rate application, the explanation and calculations should identify all rates used, along with the base they were applied to (and how the base was derived), and a total for each (along with grand total). **MTDC**: $450,000 personnel + $60,000 fringe + $30,000 travel + $70,000 supplies + $450,000 vendors+ $100,000 other direct costs + $70,000 subrecipients = $1,230,000**Indirect Costs**: $1,230,000 x 0.10 = $123,000 |
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1. **Update your Indirect Costs tab in your budget justification.** Choose that category that best fits your intended usage of the indirect costs. For the purposes of this example, we will assume the grantee has opted to use the indirect funds to cover their overhead costs. See **Table 4** belowfor an example.

The final budget document is an estimate for final project costs. When invoicing on the active project, the current MTDC for that period should be calculated to determine the allowable reimbursement of Indirect costs on each invoice.

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| **Table 4.** Example Indirect Costs Tab |
|   | **Project Period 1** | **Project Period 2** | **Project Period 3** | **Total** | **Explanation of BASE**  |
| **Provide ONLY Applicable Rates:** |   |   |   |  |  |
| Overhead Rate | 0.00% | 0.00% | 0.00% |  |  |
| General & Administrative (G&A) | 0.00% | 0.00% | 0.00% |  |  |
| FCCM Rate, if applicable | 0.00% | 0.00% | 0.00% |  |  |
| OTHER Indirect Rate | 0.00% | 0.00% | 0.00% |  |  |
| **Indirect Costs (As Applicable):** |   |   |   |  |  |
| Overhead Costs | $41,000 | $41,000 | $41,000 | **$123,000** | **10% de minimis** |
| G&A Costs |   |   |   | **$0** |  |
| FCCM Costs, if applicable |   |   |   | **$0** |  |
|  OTHER Indirect Costs |   |   |   | **$0** |  |
| **Total indirect costs requested:** | **$41,000** | **$41,000** | **$41,000** | **$123,000** |  |

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| **You must provide an explanation (below or in a separate attachment) and show how your indirect cost rate was applied to this budget in order to come up with the indirect costs shown.** |
|  |  |  |  |  |  |  |
| Additional Explanation (as needed): \*IMPORTANT: Please use this box (or an attachment) to further explain how your total indirect costs were calculated. If the total indirect costs are a cumulative amount of more than one calculation or rate application, the explanation and calculations should identify all rates used, along with the base they were applied to (and how the base was derived), and a total for each (along with grand total). **MTDC**: $450,000 (personnel) + $60,000 (fringe) + $30,000 (travel) + $70,000 (supplies) + $450,000 (vendors) + $100,000 (other direct costs) + $70,000 (subrecipients) = $1,230,000**Indirect Costs**: $1,230,000 x 0.10 = $123,000 |
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1. [eCFR :: 45 CFR 75.414 -- Indirect (F&amp;A) costs.](https://www.ecfr.gov/current/title-45/subtitle-A/subchapter-A/part-75/subpart-E/subject-group-ECFR1eff2936a9211f7/section-75.414) [↑](#footnote-ref-2)
2. [eCFR :: 2 CFR 200.331 -- Subrecipient and contractor determinations.](https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-D/subject-group-ECFR031321e29ac5bbd/section-200.331) [↑](#footnote-ref-3)