

Allowable Costs Under 45 C.F.R. Part 75: Checklist¹

Type of Expense:	Allowable to Federal Grant \$	Un-Allowed to Federal Grant \$	Reviewed by:
Advertising and Public Relations Costs Recruitment of personnel required for the performance by the organization arising under a sponsored award. Or, the procurement of goods and services for the performance of a sponsored award.			
a) Costs specifically required by and/or as necessary to the performance of federal awards (e.g., recruitment of staff, procurement of goods/services).	X		
b) Costs of communicating with the public and press pertaining to specific activities or accomplishments which result from performance of sponsored awards.	X		
c) Costs of conducting general liaison with news media and government public relations officers, to the extent that such activities are limited to communication and liaison necessary to keep the public informed on matters of public concern, such as notices of contract / grant awards, financial matters.	X		
d) Costs of meetings or other events related to fund-raising or other organizational activities including costs of displays, demonstrations, cost of meeting rooms, hospitality suites, salaries and wages of employees or cost of services engaged in setting up and displaying exhibits, making demonstrations.		X	

¹ The Authors of these materials include attorneys at the law firm of Feldesman Tucker Leifer Fidell LLP. The sample documents offer general guidance based on federal law and regulations and do not necessarily apply to all health centers under all facts and circumstances. Further, these materials do not replace, and are not a substitute for, legal advice from qualified legal counsel.

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e) Costs of promotional items and memorabilia, including models, gifts, and souvenirs.		X	
f) Costs of advertising and public relations designed solely to promote the organization.		X	
Advisory councils Costs associated with operation of advisory councils or committees.		X (except as authorized by law or DHHS)	
Alcoholic beverages: Costs of alcoholic beverages.		X	
Alumni/ae activities		X	
Audit services Audits as required by the Single Audit Act and as necessary to comply with the terms and conditions of a federal award.	X		
Bad debts: Cost related to collection and legal costs.		X	
Bonding costs: Included are such bonds as bid, performance payment, advance payment infringement, and fidelity bonds.			
a) Costs of bonding required pursuant to the terms of the award.	X		
b) Costs of bonding required by the organization in the general conduct of its operations, to the extent that such bonding is in accordance with sound business practice and the rates and premiums are reasonable under the circumstances.	X		

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Collection of improper payments Costs incurred in recovering improper payments.	X		
Commencement/convocation costs Applicable to educational institutions.		X	
Compensation for personal services:			
a) Cost of compensation to the extent that: Total compensation to individual employees is reasonable for the services rendered and conforms to the established policy of the organization consistently applied to both Federal and Non-Federal Activities. Charges to awards whether treated as direct or indirect costs are determined and supported as required. Compensation for employees on Federally-funded work will be considered reasonable to the extent that it is consistent with that paid for similar work in the organization's other activities.	X		
b) Compensation to members of non-profit organizations, trustees, directors, associates, officers or the immediate families – determination should be made that such compensation is reasonable for the actual personal services rendered rather than a distribution of earnings in excess of costs.	X		

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<p><i>Support for personal compensation: Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must (1) reasonably reflect the total activity for which the employee is compensated by the Health Center; (2) encompass both federally-assisted and all other activities for which the employee is paid, and (3) support the distribution of the employee's salary or wages among specific activities or cost objectives. Such distribution must be made if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities that are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.</i></p> <p><i>Salaries and wages of employees used in meeting cost sharing or matching requirements on Federal awards must be supported in the same manner as salaries and wages claimed for reimbursement from Federal awards.</i></p>			
Fringe Benefits:			
a) Fringe benefits in the form of regular compensation paid to employees during periods of authorized absences from the job, such as vacation leave, sick leave, military leave.	X		
b) Fringe benefits in the form of employer contributions or expenses for social security, employee insurance, workers compensation or pension costs, provided such benefits are granted in accordance with established written organization policies.	X		
c) Fringe benefits in the form of costs of insurance on the lives of trustees, officers or other employees holding positions of similar responsibility, only to the extent that the insurance represents additional compensation.	X		

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d) Fringe benefits in the form of the costs of insurance on the lives of trustees, officers or other employees holding positions of similar responsibility, when the organization is named as beneficiary.		X	
e) Provisions for a reserve under a self-insurance program for unemployment or workers' compensation payable within a year.	X		
f) Company car/automobile.		X	
g) Costs of the organization's pension plan, which are incurred in accordance with the established policies of the organization to the extent that (1) such policies meet the test of reasonableness, (2) the method of cost allocation is reasonable and not discriminatory, and (3) the costs are assigned according to plan policy.	X		
h) Late payment charges on pension plan termination insurance premiums paid to ERISA.		X	
i) Incentive compensation to employees based on cost reduction or efficient performance, suggestion awards, safety awards to the extent that the overall compensation is determined to be reasonable and such costs are paid or accrued pursuant to an agreement entered into in good faith between the organization and the employees before the services were rendered.	X		

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j) Severance pay upon dismissal in addition to related salaries and wages are allowable only to the extent required law, employer – employee agreement, in accordance with an established policy that constitutes an implied agreement on the organization, or as dictated by the circumstances of the particular employment.	X		
Conferences: Costs of meetings, retreats, seminars, symposia, workshops or events the primary purpose of which is the dissemination of technical information beyond the non-Federal entity and is necessary and reasonable for successful performance under the Federal award.	X		
Contingency provisions: Contributions to a contingency reserve or any similar provision made for events the occurrence of which cannot be foretold with certainty as to time, intensity, or with an assurance of their happening. NOTE – DHHS allows Health Centers to use non-grant income to fund reserves.		X	
Contributions: Contributions and donations by the organization to others.		X	

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<p>Defense and prosecution of criminal and civil proceedings, claims, appeals, and patent infringement: Cost incurred in connection with any criminal, civil or administrative processing (including filing a false certification) commenced by the Federal Government, or a State, local or foreign Government, if the proceeding relates to a violation of, or failure to comply with Federal, State, local or foreign statutes or regulations by the organization and results in any of the following dispositions – a conviction in a criminal proceeding, a civil or administrative proceeding involving an allegation of fraud or similar misconduct, or the case of any civil or administrative proceeding with the imposition of a monetary penalty.</p>		X	
Depreciation and use allowances:			
a) The computation of use allowances or depreciation shall be based on the acquisition cost of the assets involved.	X		
b) The computation of use allowances or depreciation will exclude: the cost of land, any portion of the cost of buildings and equipment borne by or donated by the Federal Government and the portion of the cost of buildings and equipment contributed by or for the organization in satisfaction of a statutory matching requirement.		X	

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<p>Employee morale, health, and welfare costs and credits: The costs of house publications, health or first aid clinics and or infirmaries, recreational activities, employees’ counseling services, and other expenses incurred in accordance with organization’s established practice or custom for the improvement of working conditions, employer-employee relations, employee morale, and employee performance.</p>	X		
<p>Entertainment costs: Costs of amusement, diversion, social activities, ceremonials, and costs relating thereto, such as meals, lodging, rentals, transportation, and gratuities are unallowable.</p>		X	
<p>Equipment and other capital expenditures: <i>Equipment means an article of non-expendable, tangible personal property having a useful life of more than one year and an acquisition cost which equals or exceeds the lesser of capitalization level established by the organization for financial statement purposes or \$5,000. “Special Purpose” equipment means equipment which is usable only for research, medical, scientific, or technical activities. “General Purpose” equipment means equipment which is usable for other than research, medical, scientific, or technical activities.</i></p>			
a) Capital expenditures for general purpose equipment, as a direct cost, without prior approval of the awarding agency.		X	
b) Capital expenditures for general purpose equipment, as a direct cost, with prior approval of the awarding agency.	X		
c) Capital expenditures for special purpose equipment, as a direct cost, provided that a unit cost over \$5,000 with prior approval of the awarding agency.	X		

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d) Capital expenditures for special purpose equipment, as a direct cost, and a unit cost is over \$5,000, without prior approval of the awarding agency.		X	
e) Capital expenditures for land or buildings, as a direct cost, without prior approval of the awarding agency.		X	
f) Capital expenditures for land or buildings, as a direct cost, with prior approval of the awarding agency.	X		
g) Capital expenditures for improvements to land, buildings, or equipment which materially increase their value or useful life, as a direct cost, without prior approval of the awarding agency.		X	
h) Capital expenditures for improvements to land, buildings, or equipment which materially increase their value or useful life, as a direct cost, with prior approval of the awarding agency.	X		
Fines and penalties: Costs of fines and penalties resulting from violations of, or failure of the organization to comply with Federal, State, and local laws and regulations.		X	
Fundraising and Investment Management: a) Costs of organized fundraising incurred solely to raise capital or obtain contributions. b) Investment counsel and staff costs and similar expenses incurred solely to enhance income from investments. NOTE – Exception for pension plan management.		X	

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<p>Goods or services for personal use: Costs of goods and services for personal use of the organization’s employees, regardless of whether the cost is reported as taxable income to the employees.</p>		X	
Housing and Personal Living Expenses:			
a) Costs of housing allowances and personal living expenses for/of the organization’s officers as fringe benefit or indirect costs regardless of whether the cost is reported as taxable income to the employees.		X	
b) Costs of housing allowances and personal living expenses for/of the organization’s officers as direct costs to sponsored award when necessary for the performance of the sponsored award and approved by awarding agencies.	X		
<p>Idle capacity: The costs of idle capacity are normal costs of doing business and are a factor in the normal fluctuations of usage or indirect cost rates from period to period, provided the capacity is reasonably anticipated to be necessary or was originally reasonable.</p>	X		
<p>Idle facilities: Idle facilities means completely unused facilities that are excess to the awardee's current needs. Costs include maintenance, repair, housing, rent, and other related costs, e.g., insurance, interest, and depreciation.</p>		X	
<p>Insurance and indemnification: Includes insurance which the organization is required to carry, or which is approved under the terms of the award and any insurance which the organization maintains in connection with the general conduct of its operations.</p>			

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a) Cost of insurance required or approved, and maintained, pursuant to the award.	X		
b) Costs of other insurance maintained by the organization in connection with the general conduct of its operations, stipulating that the types and extent of coverage shall be in accordance with sound business practices and rates and premiums shall be reasonable.	X		
c) Costs of other insurance maintained by the organization in connection with the general conduct of its operations, regarding costs allowed for business interruption or similar insurance shall be limited to exclude management fees.	X		
d) Costs of other insurance maintained by the organization in connection with the general conduct of its operations, regarding costs of insurance for a reserve covering the risk of loss or damage, only to the extent that the organization is liable for such loss or damage.	X		
e) Costs of other insurance maintained by the organization in connection with the general conduct of its operations, regarding provisions for a reserve under a self-insurance program are considered to the extent that types of coverage, extent of coverage, rates, and premiums would have been allowed had insurance been purchased to cover the risks. Provision for known or reasonably estimated self-insured liabilities which do not become payable for more than one year after the provision is made, shall not exceed the present value of the liability.	X		

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f) Costs of other insurance maintained by the organization in connection with the general conduct of its operations, regarding costs of insurance on the lives of trustees, officers, or other employees holding positions of similar responsibilities, only to the extent that the insurance represents additional compensation.	X		
g) Costs of other insurance maintained by the organization in connection with the general conduct of its operations, regarding costs of insurance with respect to any costs incurred to correct defects in the organization's materials or workmanship.		X	
h) Cost of other insurance maintained by the organization in connection with the general conduct of its operations, regarding medical liability (malpractice) insurance, only to the extent that the Federal research programs involve human subjects or training of participants in research techniques. Medical liability insurance costs shall be treated as a direct cost and shall be assigned to individual projects based on the manner in which the insurer allocates the risk to the population covered by the insurance.	X		
i) Actual losses which could have been covered by permissible insurance, unless expressly provided for in the award.		X	
j) Costs incurred because of losses not covered under nominal deductible insurance coverage provided in keeping with sound business practice.	X		
k) Minor losses not covered by insurance, such as spoilage, breakage, and disappearance of supplies, which occur in the ordinary course of operations.	X		

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Interest:			
a) Costs incurred for interest on borrowed capital or temporary use of endowment funds, however represented.		X	
b) Interest on debt incurred after September 29, 1995 to acquire or replace capital assets, acquired after September 29, 1995.	X		
Lobbying:			
a) Attempts to influence the outcomes of any Federal, State or local election, referendum, initiative or similar procedure, through in kind or cash contributions, endorsements, publicity or similar activity.		X	
b) Establishing, administering, contributing to or paying the expenses of a political party, campaign, political action committee or other organization established for the purpose of influencing the outcomes of elections.		X	
c) Any attempt to influence either the introduction of Federal or State legislation or the enactment or modification of any pending Federal or State legislation through communication with any member or employee of the Congress or State legislature, or with any Government official or employee in connection with a decision to sign or veto enrolled legislation.		X	

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d) Any attempt to influence either the introduction of Federal or State legislation or the enactment or modification of any pending Federal or State legislation by preparing, distributing or using publicity or propaganda or by urging member of the general public or any segment thereof to contribute to or participate in any mass demonstration, march, rally, fundraising, drive, lobbying campaign or letter writing or telephone campaign.		X	
e) Legislative liaison activities, including attendance at legislative sessions or committee hearings, gathering information regarding legislation, and analyzing the effect of legislation, when such activities are carried on in support of or in knowing preparation for an effort to engage in unallowable lobbying.		X	
f) Providing technical and factual presentation of information on a topic directly related to the performance of a grant, contract, or other agreement through hearing testimony, statements or letters to the Congress or a State legislature, in response to a documented request.	X		
g) Any attempt to influence either the introduction of Federal or State legislation or the enactment or modification of any pending Federal or State legislation through communication with any member or employee of the Congress or State legislature, or with any Government official or employee in connection with a decision to sign or veto enrolled legislation <u>in order to directly reduce the cost, or to avoid material impairment of the organization's authority to perform the grant, contract, or other agreement.</u>	X		

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h) Any activity specifically authorized by statute to be undertaken with funds from the grant, contract, or other agreement.	X		
Losses on other sponsored agreements or contracts Any excess of costs over income on any award, as a cost of any other award.		X	
Maintenance and repair costs: Costs incurred for necessary maintenance, repair or upkeep of buildings and equipment which neither add to the permanent value of the property nor appreciably prolong its intended life, but keep it in an efficient operating condition.	X		
Materials and supplies: Costs of material and supplies necessary to carry out an award.	X		
Memberships, subscriptions, and professional activity costs:			
a) Costs of membership in any country club or social or dining club or organization.		X	
b) Costs of membership in professional, technical, trade organizations and costs of periodicals relating to awardee's supported activities.	X		
Organization costs: Expenditures, such as incorporation fees, brokers' fees, fees to promoters, organizers or management consultants, attorneys, accountants or investment counselors, whether or not employees of the organization, in connection with establishment or reorganization of an organization. NOTE: exception for awarding agency prior approval.		X	

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<p>Participant support costs: Direct costs for items such as stipend or subsistence allowances, travel allowances and registration fees paid to or on behalf of participants or trainees in connection with meetings, conferences, symposia or training projects, with the prior approval of the awarding agency.</p>	X		
Patent/intellectual property costs:			
a) Costs of preparing disclosures, reports, and other documents required by the award and of searching the art to the extent necessary to make such disclosures.	X		
b) If the work and research is not required by the award.		X	
c) Costs of royalties for use of patents, copyrights, and other intellectual property as necessary to performance of award.	X		
<p>Plant and homeland security costs: Necessary and reasonable expenses incurred to comply with Federal security requirements or for facilities protection, including wages, uniforms, and equipment of personnel.</p>	X		
<p>Pre-award costs: Costs incurred prior to the effective date of the award directly pursuant to the negotiation and in anticipation of the award, where such costs are necessary to comply with the proposed delivery schedule or period of performance and with written approval of the awarding agency, only to the extent they would have been allowable if incurred after the date of the award.</p>	X		

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<p>Professional service costs: Costs of professional and consultant services rendered by persons who are members of a particular profession or possess a special skill and who are not officers or employees of the organization, with relevant factors including: nature and scope of service rendered; necessity of contracting for the service; past pattern of such costs; impact of Federal awards on the organization's business; whether the proportion of Federal work to the organization's total business is such as to influence the organization to incur the cost; whether the service can be performed more economically by direct employment; the qualifications of the individual or concern rendering the service and the fees charged; and the adequacy of the contractual agreement for the services. Also, retainer fees must be supported by evidence of bona fide services.</p>	X		
<p>Proposal costs: Costs associated with preparation of bids, proposals, applications, and other responses to funding solicitations for current accounting period when treated as indirect costs.</p>	X		
<p>Publication and printing costs: Publication costs include the cost of printing, distribution, promotion, mailing and general handling. If these costs are not identifiable with a particular cost objective, they should be allocated as indirect costs. Publication and printing costs, as direct costs, with the prior approval of the award agency.</p>	X		
Rearrangement and alteration costs:			
<p>a) Costs incurred for ordinary or normal rearrangement and alteration of facilities when treated as indirect costs.</p>	X		

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b) Special arrangement and alteration costs incurred specifically for project when treated as direct costs, with the prior approval of the awarding agency.	X		
Reconversion costs: Costs incurred in the restoration or rehabilitation of the organization's facilities to approximately the same condition existing immediately prior to commencement of Federal awards, fair wear and tear excepted.	X		
Recruiting costs: Provided that the size of the staff recruited and maintained is in keeping with workload requirements cost of help wanted advertising, operating costs of an employment office necessary to secure and maintain an adequate staff. Where the organization uses employment agencies, costs that are not in excess of standard commercial rates for such services.	X		
Relocation costs:			
Relocation costs are costs incident to the permanent change of duty assignment of an existing employee or upon recruitment of a new employee. Move must be for the benefit of the employer and the reimbursement to the employee is in accordance with an established written policy and does not exceed the employee's actual expenses. Includes cost of transportation, costs of finding a home, closing costs, continuing costs of ownership of the vacant former home (up to six months after finding new permanent residence), and other necessary and reasonable expenses normally incident to relocation.	X		

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<i>Where relocation costs incurred incident to recruitment of a new employee have been allowed either as an allocable direct or indirect cost, and the newly hired employee resigns for reasons within his control within twelve months after being hired, the organization will be required to refund or credit such relocation costs to the Federal Government unless the costs or travel overseas.</i>			
Rental costs of buildings and equipment:			
a) Rental costs, to the extent that the rates are reasonable in light of such factors as: rental costs of comparable property, if any; market conditions in the area; alternatives available; and, the type, life expectancy, condition, and value of the property leased.	X		
b) Rental costs under sale and leaseback arrangements, only up to the amount that would be allowed had the organization continued to own the property.	X		
c) Rental costs under less-than-arms-length leases, only up to the amount that would be allowed had title to the property vested in the organization. <i>A less-than-arms-length lease is one under which one party to the lease agreement is able to control or substantially influence the actions of the other.</i>	X		
d) Rental costs under lease which are required to be treated as capital leases under GAAP, only up to the amount that would be allowed had the organization purchased the property on the date the lease agreement was executed.	X		

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Selling and marketing			
a) Costs of selling and marketing any products or services of the organization.		X	
b) These costs, as direct costs, with prior approval by awarding agencies, when they are necessary for the performance of Federal award.	X		
Specialized service facilities: The cost of services provided by highly complex or specialized facilities operated by the organization, such as electronic computer and wind tunnels, provided when the costs of such services are material, they are charged to the applicable awards based on actual usage of the services. Where the costs incurred are not material, they may be allocated as indirect costs.	X		
Taxes:			
a) Taxes which the organization is required to pay and which are paid or accrued in accordance with GAAP, and payments made to local governments in lieu of taxes.	X		
b) Taxes from which exemptions are available to the organization directly or available based on exemption afforded the Federal government, and in the latter case when the awarding agency makes available the necessary certificates.		X	
c) Special assessment on land which represent capital improvements.		X	
d) Federal income taxes.		X	

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<i>Any refund of taxes, and any payment to the organization of interest thereon, which were allowed as award costs, will be credited either as a cost reduction or cash refund, as appropriate, to the Federal government.</i>			
Termination Costs:			
a) Common items, the cost of items reasonably usable on the organization's other work, unless the organization submits evidence that it would not retain such items at cost without sustaining loss.		X	
b) Costs continuing after termination, despite all reasonable effort by the organization, within the limitations set forth, except such costs continuing due to negligent or willful failure of the organization to discontinue such costs.	X		
c) Loss of useful value, of special tooling, machinery and equipment, which was not charged to the award as a capital expenditure, if such equipment is not reasonably capable of use in other work, and the interest of the Federal Government is protected by transfer of title or by other means deemed appropriate by the awarding agency.	X		
d) Rental costs, under unexpired leases, where clearly shown to have been reasonably necessary for the performance of the terminated award less the residual value of such leases if the amount does not exceed the reasonable use value of the property, and the organization makes all reasonable efforts for termination.	X		

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e) Settlement expenses, including accounting, legal, clerical; preparation and presentation to awarding agency of settlement claims and supporting data; termination and settlement of sub-awards; reasonable costs for storage, transportation, protection, and disposition of property; and, indirect costs related to salaries and wages incurred as a settlement expense.	X		
f) Claims under sub-awards, including the allocable portion of claims which are common to the award, and to other work of the organization.	X		
Training and education costs:			
Costs of preparation and maintenance of a program of instruction for employee development.	X		
Transportation costs: Include freight, express, cartage, and postage charges relating either to goods purchased, in process or delivered.	X		

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<p>Travel Costs Expenses for transportation, lodging, subsistence and related items incurred by employees who are in travel status on official business. Travel costs are allowable when they are directly attributable to specific work under an award or are incurred in the normal course of administration of the organization.</p> <ul style="list-style-type: none"> • Costs may be charged on an actual basis, on a per diem or mileage basis, or a combination of the two. • Difference in cost between first-class air accommodations and less than first-class air accommodations is unallowable except when less than first-class air accommodations are not reasonably available to meet necessary mission requirements. • Direct charges for foreign travel costs are allowable only when travel has received prior approval of the awarding agency. 	X		
<p>Trustees: Travel and subsistence costs of trustees, subject to restrictions regarding lodging, subsistence, and air travel above.</p>	X		