



UMaine-ORSP Quick Reference Guide¹:

Examples of Allowable & Unallowable Costs for Federally Sponsored Projects



From: 2 CFR 220 (formerly OMB Circular A-21), Cost Principles for Educational Institutions





For a cost to be deemed *allowable*, it must meet OMB criteria of being: reasonable, allocable, consistently treated, and conforming to any limitations or exclusions set forth in the cost principles, in the award agreement, and University of Maine System Administrative Practice Letters, and University of Maine Policies.

CFR Citation	Type of Cost	 Allowable as a Direct Cost	 Unallowable as a Direct Cost
J1	Advertising & Public Relations	Allowable only if related to and necessary for performance of the sponsored project (i.e., recruitment of personnel, procurement of goods and services etc.).	Unallowable for advertising related to the general image of the University or events related to instruction or other institutional activities. Unallowable for promotional items and memorabilia, including models, gifts and souvenirs.
J3	Alcoholic Beverages	Unallowable	Unallowable
J9	Communication Costs	Allowable for costs directly attributable to a specific project (i.e., long distance calls. See also OMB A-21, Section F6).	Unallowable for recurring line charges, network charges, local telephone costs.
J10	Compensation for Personal Services	Salaries, wages and fringe benefits of personnel who directly contribute to the project's technical purpose (i.e. Faculty, other technical & research staff).	Unallowable for salaries and wages of administrative and clerical staff. See code for exceptions. *The cost of institution-furnished automobiles that relate to personal use by employees is unallowable.
J15	Donations & Contributions	Unallowable	Unallowable
J17	Entertainment Costs	Unallowable	Unallowable - includes amusement, diversion, and social activities and any costs directly associated with such costs.
J18	Equipment & other Capital Expenditures	Allowable only for <i>special purpose equipment</i> -used exclusively for research, medical, scientific, or other technical activities. Prior approval from awarding agency required for items with a unit cost of \$5,000 or more.	Unallowable for <i>General Purpose Equipment</i> - not used exclusively for research (i.e., office equipment and furnishings, modular offices, telephone networks, Information Technology equipment and systems, AC equipment, reproduction and printing equipment, and motor vehicles etc.).
J19	Fines & Penalties	Unallowable except when incurred as a result of compliance with specific federal award provisions.	Unallowable except when incurred as a result of compliance with specific federal award provisions.

CFR Citation	Type of Cost	 Allowable as a Direct Cost	 Unallowable as a Direct Cost
J22	Personal Use Goods or Services	Unallowable	Unallowable
J23	Housing & Personal Living Expenses	Unallowable	Unallowable
J25	Insurance & Indemnification	Allowable if related to and necessary for the performance of the sponsored project (Note: malpractice insurance is an allowable cost of research programs only to the extent that the research involves human subjects).	Refer to the code for allowability of other types of insurance maintained by the institution in connection with the general conduct of its activities.
J28	<i>Most</i> Lobbying Costs	Unallowable	Unallowable
J29	Losses on Other Sponsored Agreements or Contracts	Unallowable	Unallowable
J30	Maintenance & Repair Costs	Allowable as a direct cost as necessary to carry out the technical and scientific aspects of and <u>actually used for the performance of a sponsored project.</u>	Unallowable for 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 (Generally F&A). *Costs incurred for improvements which add to the permanent value of buildings and equipment or appreciably prolong their intended life shall be treated as capital expenditures.
J31	Material & Supplies Costs	Allowable as a direct cost when necessary, and actually used, for the performance of a sponsored project.	Generally Unallowable for routine office supplies and postage (Refer to UMS APL VIII-C).
J32	Meetings & Conferences	Allowable when the primary purpose is the dissemination of technical information directly related to the project. This includes costs of meals, transportation, rental of facilities, speakers' fees, and other items incidental to such meetings or conferences.	"Entertainment costs" are unallowable (see above).

CFR Citation	Type of Cost	 Allowable as a Direct Cost	 Unallowable as a Direct Cost
J33	Memberships, Subscriptions & Professional Activity Costs	Generally unallowable as a direct cost (considered F&A). See UMS APL VIII-C.	Costs of membership in any civic or community organization, country club or social or dining club or organization are unallowable. Costs of the institution's membership in business, technical and professional organizations AND Costs of the institutions subscriptions to business, professional & technical periodicals are generally considered F&A costs.
J34	Patent Costs	Allowable if required by the sponsored agreement.	Unallowable for foreign patents.
J36	Pre-Agreement Costs	Allowable with prior approval from the awarding agency	
J37	Professional Service Costs	Allowable when in accordance with OMB A-21, J37 b and c and in compliance with University policy.	Unallowable for officers or employees of the institution.
J38	Proposal Costs	Unallowable	Unallowable
J39	Publication & Printing Costs	Allowable if the costs can be identified with a research project . If the cost is for page charges, the charges are allowable for professional journals if the work is supported by the Federal Government and the charges are levied impartially on all research papers published, not just those funded by federally sponsored authors.	Generally unallowable for routine copying and postage (considered F&A). Refer to UMS APL VIII-C.
J40	Rearrangement and Alteration Costs	Allowable with prior approval of the awarding agency when incurred specifically for the sponsored project.	Unallowable for costs incurred for ordinary or normal rearrangement and alteration of facilities.
J42	Recruiting Costs	Allowable when related to and necessary for the project and if reasonable (color ads are not considered reasonable - See OMB A-21, Section J1).	Advertising which includes color, material for other than recruitment purposes, or which is excessive in size is unallowable.
J43	Rental Costs of Buildings and Equipment	Allowable for reasonable costs (subject to the limitations of leases given in OMB A-21, Section J43 a-d) <i>when incurred specifically for the sponsored project</i> .	Unallowable costs include amounts paid for profit, management fees, and taxes that would not have been incurred had the institution purchased the facility.
J44	Royalties and Other Costs for Use of Patents	Allowable when necessary for the performance of the sponsored project.	Unallowable when the Federal Government has a license or the right to free use of the patent or copyright; or when the patent or copyright has been adjudicated to be invalid, has been administratively determined to be invalid, is considered to be unenforceable, or has expired.

CFR Citation	Type of Cost	 Allowable as a Direct Cost	 Unallowable as a Direct Cost
J45	Scholarships and Student Aid Costs	Allowable only when the purpose of the sponsored agreement is to provide training to selected participants and the charge is approved by the sponsoring agency. Stipulations apply.	
J48	Student Activity Costs	Unallowable	Unallowable
J50	Termination Costs Applicable to Sponsored Agreements	Allowable for costs which would not have arisen had the sponsored agreement not been terminated, provided they meet the requirements of OMB A-21, Section J50.	Unallowable for any costs continuing after termination due to the negligent or willful failure of the institution to discontinue such costs.
J51	Training Costs	Allowable for training provided for employee development for a specific sponsored project.	Unallowable for federally-mandated training in the Responsible Conduct of Research or Conflicts of Interest.
J52	Transportation (Freight) Costs	Allowable for costs for freight, express, cartage, postage and other transportation services when related to goods purchased, in process, or delivered (must be project-specific).	Unallowable for routine/general postage.
J53	Travel Costs	Allowable for transportation, lodging, subsistence and related items for employees who are in travel status on project-specific business, subject to University policy.	Unreasonable travel costs (including airfare costs in excess of the lowest available commercial discount airfare except where justified and documented) are unallowable. Non-employee travel unallowable unless related to OMB A-21, Section J2 or specifically required to fulfill the requirements of the solicitation.

References:

OMB Circulars, general page: <http://www.whitehouse.gov/OMB/circulars/> .

OMB A-21 Relocated to: Title 2 in the Code of Federal Regulations (2 CFR 220), effective 8/31/2005:

http://www.whitehouse.gov/sites/default/files/omb/assets/omb/fedreg/2005/083105_a21.pdf .

University of Maine System Administrative Practice Letter VIII-C: Sponsored Programs – Direct Charging Of Expenses:

<http://www.maine.edu/about-the-system/system-office/finances/administrative-practice-letters/> .

¹ Adapted with permission from Michigan Tech, "Allowable and Unallowable Direct Costs": (<http://www.mtu.edu/research/administration/sponsored-programs/office/proposal-preparation/develop-budget/direct-cost/allowable-costs/>).