

Modified Total Direct Cost – Exclusion items

Per 2 CFR 200.68, *MTDC excludes equipment, capital expenditures, patient care charges, rental costs, tuition remission, scholarships and fellowships, participant support costs and the portion of each subaward in excess of \$25,000.*

These items need to be properly excluded both when preparing proposal/award budgets and when coding and charging actual costs as the project is carried out. The information below is provided to assist with both tasks.

Equipment: K-State Object Codes E4010 – E4660.

(Individual descriptions of these object codes are available on the Division of Financial Services website.)

Equipment is defined as tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost of \$5,000 or more. The \$5,000 threshold applies to the item as opposed to any partial payments that are directly charged to a sponsored account. For example, if the total cost for the item is \$10,000, but the sponsored agreement only contributes \$4,999 to the purchase of the item, the amount is still coded as equipment with an E4xxx object code and must be excluded from the calculation of MTDC. (It should also be noted that the “purchase” of equipment from another university department/unit is not an allowable charge to a sponsored account.)

Please note that although costs of land and buildings would also fall within this category of object codes, such costs are rarely allowable as direct charges to sponsored agreements.

Rental Costs: K-State object code E2320 Building Space Rental - One Month or Greater

This is the ONLY type of rental that is excluded from MTDC. Cost charged under this object code represent costs incurred for long(er) term use of non-university owned space, such as offices or labs. Rental costs incurred for short-term rentals like meeting rooms or conference facilities are NOT excluded when calculating MTDC.

(It should also be noted that charges related to rental of university-owned space between university departments/units is not an allowable direct cost on sponsored accounts.)

Tuition Remission, Scholarships and Fellowships: K-State object codes: E5610 – E5660.

A full description and proper usage of each of these object codes is detailed in section .070 of PPM Chapter 6320, [Document Completion Procedures](#).

Costs in this category include all forms of student aid, including tuition in lieu of salary for graduate students. Student aid, other than tuition in lieu of salary, is allowable as a direct charge ONLY on those awards that the sponsor has designated as a student aid award. It should also be noted that some sponsors may disallow tuition payments in any form, including tuition in lieu of salary.

Participant Support Costs: K-State object codes E5620 – E5660.

Participant support costs are defined in 2 CFR 200.75 as direct costs for items, such as stipends or subsistence allowances, travel allowances, and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with conferences or training projects. The National Science Foundation provides additional details regarding these costs on their awards in the [NSF PAPPG](#).

2 CFR 200 also requires that participant costs be approved in advance by the sponsor (such as through a separate line item in the approved budget) AND disallows any rebudgeting of such costs without specific sponsor approval. Therefore, proper budgeting at the proposal and award stage is critical for this category of costs.

1. Items that should be included in the participant support costs category are those costs that can be attributed to individual participants or trainees such as:
 - Conference or event registration fees. Optional conference social or entertainment events offered to attendees for an additional fee are not allowable costs to the award under any budget line.
 - Travel costs related to individual participants, including health insurance required for travel.
 - Stipends for living expenses such as housing and subsistence. These may be paid out in the form of a stipend, scholarship or fellowship, depending on certain characteristics of the situation and the individual participant. This type of support is NOT to be budgeted or paid out as salaries and wages.
 - Direct payment of housing or lodging costs when the cost relates specifically to the participant (not conference or event facility costs.)
 - Training materials and supplies, including lab supplies, specifically for the participant's use (not supplies for general use in the lab or elsewhere.)

2. Items that should NOT be included in the participant support category include:
 - Travel, registration or other costs for the PI, project employees or any other K-State employee.
 - Salaries and wages, including tuition in lieu of salary. Participants and trainees should not also be employees or receive their participant support in the form of payroll.
 - Costs for speakers or presenters, including any stipends, fees, wages, travel or subsistence costs.
 - Costs related to event facilities or administration that are not attributable to individual participants or trainees, such as meeting room costs or event planning costs.
 - Consultant costs of any kind.
 - Human subject incentive payments.
 - Materials or supplies for general use (for example, lab supplies for a lab used by trainees, but the items are not specific or unique to the trainees).

Please note that some of the items listed above that are not to be included in the participant support category may be still be allowable costs for the award, but would need to be included in a different budget line.

Subawards – the portion of each subaward in excess of \$25,000: K-State object codes 8010 – E8041.
(Individual descriptions of these object codes are available on the Division of Financial Services website.)

Subawards are defined in 2 CFR 200.92 as an award provided by a pass-through entity to a subrecipient for the subrecipient to carry out part of a Federal award received by the pass-through entity. It does not include payments to a contractor or payment to an individual that is a beneficiary of a Federal program.

Only the first \$25,000 of each subaward, regardless of the period of performance under the subawards under the award may be included in the calculation of MTDC. Issuance of multiple subawards to a single entity under a single sponsored agreement in order to keep the subawards under the \$25,000 threshold is not allowable. Conversely, payments to entities that don't meet the definition of a subaward, such as contractors, vendors or consultants, should not be construed as subaward payments to avoid assessment of F&A costs on amounts exceeding the \$25,000 threshold.