

De Minimis Rate

The de minimis rate is the percentage of the Modified Total Direct Cost (MTDC) that can be used by a non-governmental entity who does not have a negotiated Indirect Cost (IDC) agreement. Per [2 CFR 200.414\(f\)](#), any non-federal entity that does not have a current negotiated rate may elect to charge a de minimis rate. of 10% (rate as of March 2024).

An organization must meet all the eligibility criteria as defined in [2 CFR 200.414\(f\)](#):

- No current negotiated indirect cost rate exists for the organization.
- Entity cannot be a state, local government, or Indian tribe receiving more than \$35M in direct federal funding, see [2 CFR 200 Appendix VII D.1.b](#).
- The rate is used indefinitely and consistently for all federal awards until such time the entity chooses to negotiate a rate.
- The MTDC base is utilized to compute the indirect costs.
- The entity must comply with [2 CFR 200.403](#) affecting allowability of cost.

Per [2 CFR 200.1](#), the MDTC is all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first \$25,000 of each subaward or subcontract, regardless of the period of performance of the subaward or subcontract. The 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 or subcontract more than the \$25,000 (as of March 2024).

In the calculation of the MTDC only the first \$25,000 of cost is allowed in the calculation for a subaward or subcontract (threshold as of March 2024). There are important differences between subrecipients contractors (aka vendors) to be aware of when computing the MTDC.

- **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:
 - determine who is eligible to receive what Federal assistance.
 - have their performance measured in relation to whether objectives of a federal program were met.
 - have responsibility for programmatic decision-making.
 - be responsible for adherence to applicable Federal Program requirements specified in the Federal award and the Special Terms and Conditions.
 - use, in accordance with their agreement, 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 (PTE).
- **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:
 - provides the goods and services within normal business operations.
 - provides similar goods and services to many different purchasers.

- normally operates in a competitive environment.
- provides goods or services that are ancillary to the operation of the Federal program.
- is not subject to compliance requirements of the Federal program because of the agreement, though similar requirements may apply for other reasons.

Organizations must maintain detailed accounting records clearly separating salaries, wages, fringe benefits, and other costs of allowable activities to be able to include them in the MTDC. Organizations must also maintain adequate documentation to support these costs consistent with [2 CFR 200.334](#) Retention Requirements for Records. The federal retention period is three years from the final expenditure report, or from quarterly/annual report submission dates. Some exceptions apply and are listed in [2 CFR 200.334](#).

Resources:

[2 CFR 200 Uniform Guidance](#)

MnDOT Office of Financial Management – Grants Unit, [MnDOT Subrecipient Guide](#)

FEMA provides a good definition of De Minimis rate that may be helpful to grantees. See FEMA, [What is a De Minimis Rate](#)