**How to Calculate Unusual Indirect Costs**

In most cases, indirect (also called F&A) costs are calculated using an MTDC base. In some cases, a sponsor will have a published limitation on indirect costs, so we would use a TDC base (Scenario 1). In less frequent cases, a sponsor may require that the indirect costs be limited to a percentage of the total cost of the award (Scenario 2). See examples below.

**Scenario 1: Indirect Costs Limited to Percentage of Total Direct Costs**

To determine how much direct costs are allowed, divide total costs by 1.XX where XX is the indirect cost rate expressed as a decimal (e.g. 20% = 0.20).

* Total Costs / (1.XX) = Maximum Direct Costs
* Direct Costs x F&A rate = F&A Costs
* Maximum Direct Costs + F&A Costs = Total Costs

**Example 1: Total Costs Limited to a Specific Amount**

Applicants may request up to $100,000, and the F&A rate is limited to 20% of total direct costs.

* $100,000 (total costs) / 1.20 (1.F&A rate) = $83,333.33 (maximum direct costs)
* $83,333.33 (direct costs) x 0.20 (F&A rate) = $16,666.67 (F&A costs)
* $83,333.33 (direct costs) + $16,666.67 (F&A costs) = $100,000 (total costs)

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**Scenario 2: Indirect Costs Limited to Percentage of Total Award**

To determine how much may be requested for direct and indirect costs, use the following formulas, with F&A rate % expressed as a decimal (e.g., 20% = 0.20):

* Direct Costs / (1.0 - F&A rate %) = Total Award **OR** Total Award x (1.0 - F&A rate %) = Direct Costs
* Total Award x F&A rate % = Indirect Costs
* Direct Costs + Indirect Costs = Total Award

**Example 2a: Total Costs Limited to a Specific Amount**

Applicants may request up to $100,000 total costs, and the F&A costs may not exceed 20% of costs:

* $100,000 (total costs) x (1.0 - 0.20**\***) = $80,000 (direct costs); **\*1.0 - 0.20 = 0.80**
* $100,000 (total costs) x 0.20 = $20,000 (F&A costs)

**Example 2b: No Maximum Total Costs Indicated**

The F&A rate is limited to 8% of total award, and the PI only needs $40,000 for direct costs:

* $40,000 (direct costs) / (1.0 - 0.08**\***) = $43,478 total award; **\*1.0 - 0.08 = 0.92**
* $43,478 x 0.08 = $3,478 (indirect costs)
* $40,000 + $3,478 = $43,478 (total costs)