

Don't Leave Federal Dollars on the Table: Using the 15% De Minimis Rate for Indirect Costs

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October 22, 2025



New Mexico
**Department of Finance
and Administration**

Welcome & Objectives

- Welcome! In this one-hour workshop, we'll cover:
 - What indirect costs are — and why they matter
 - The 15% de minimis rate under 2 CFR 200.414(f)
 - How to calculate, document, and apply it
 - Compliance tips and common pitfalls

What Are Indirect Costs?

- Indirect costs = Costs incurred for a common or joint purpose that benefits more than one cost objective and cannot be readily assigned to a specific project without disproportionate effort.
 - Examples: Payroll and finance staff, rent, depreciation, IT, HR, procurement, facilities, insurance, utilities
- Direct costs = Costs directly and easily identified with a specific federal award or project.
- Indirect costs = Costs support all projects and operations.

Why Indirect Costs Matter



Every project has overhead — if you don't claim it, **your general fund pays for it.**

- Under-claiming = **lost reimbursement**
- Claiming properly = **sustainable local budgets**
- Federal policy encourages **full cost recovery**

Authority for the 15% De Minimis Rate

- [2 CFR 200.414\(f\)](#) – Revised in 2024
- Allows 15% of Modified Total Direct Costs (MTDC)
- Eligible entities: Never had a Negotiated Indirect Cost Rate Agreement (NICRA), including local governments, tribes, special districts
- May be used indefinitely until a negotiated rate is approved

What Counts as MTDC?

Includes:

- Salaries, wages,
- fringe benefits,
- Supplies
- Services
- Travel
- first \$50,000 of each subaward/subcontract

Excludes:

- Equipment >\$10,000
- participant support costs
- subaward amounts over \$50,000

How to Calculate MTDC

New Mexico Federal Grants Bureau MODIFIED TOTAL DIRECT COST (MTDC) CALCULATOR



Cost Category	Amount (\$)	MTDC-Eligible?	MTDC-Included Amount (\$)
Personnel Salaries	\$0.00	Yes	\$0.00
Fringe Benefits	\$0.00	Yes	\$0.00
Materials & Supplies	\$0.00	Yes	\$0.00
Travel	\$0.00	Yes	\$0.00
Equipment (>\$10,000 each)	\$0.00	No	\$0.00
Participant Support Costs	\$0.00	No	\$0.00
Tuition/Scholarships/Fellowships	\$0.00	No	\$0.00
Subawards and Contracts (first \$50,000 each)	\$0.00	Yes	\$0.00
Subawards and Contracts (excess over \$50,000)	\$0.00	No	\$0.00
Other Direct Costs	\$0.00	Yes	\$0.00
Total Direct Costs (TDC)	\$0.00		
Modified Total Direct Costs (MTDC Base)			\$0.00
Indirect Cost Rate (%)	15.00%		
Indirect Costs (\$)	\$0.00		
Total Project Costs	\$0.00		

When (and When Not) to Use It

- Use when: never had a NICRA, consistent/easy method, multiple small/short-term awards
- Reconsider if: already have NICRA, actual indirect costs exceed 15%, agency requires negotiated rate

Compliance & Documentation

- Keep clear records of MTDC calculation
- Apply the same method across awards
- Never double-charge a cost
- Add statement: 'The applicant elects to use the 15% de minimis indirect cost rate under 2 CFR 200.414(f).'

Common Questions

- Q: Can subrecipients use 15% rate?
- A: Yes, if eligible
- Q: Prior approval needed?
- A: No — it's an election
- Q: State pass-through funds?
- A: Yes, if following Uniform Guidance
- Q: How long?
- A: Indefinitely until you negotiate a rate

Putting It Into Practice

- 1. Inventory all federal/pass-through grants
- 2. Confirm eligibility (no NICRA)
- 3. Use DFA's MTDC calculation template
- 4. Update internal budgeting policies
- 5. Train staff on 15% rate application



Wrap-Up

- **Key Takeaways:**
 - **Indirect costs are real**
 - **15% de minimis simplifies recovery**
 - **Consistency/documentation = audit-ready**

- Resources:
- [2 CFR Part 200 Subpart E](#)

Questions



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