

# U.S. DEPARTMENT OF AGRICULTURE National Institute of Food and Agriculture



## Nonprofit Indirect Cost Training – Two Rate Method



## Similarities to the One Rate Method:

- Same 3 definitions relevant to ICRs + **fringe benefits**
- Same 3 steps to calculate an ICR  
(<sup>1</sup>obtain expenses, <sup>2</sup>classify expenses, <sup>3</sup>calculate rates (F/B rate and ICR), **but 3<sup>rd</sup> step is now done in 3 parts**)
- Same 3 ways to check the grant budget



## Differences from the One Rate Method:

- Two rates instead of one rate (indirect cost rate and a fringe benefit rate)
- Fringe benefits (employee benefits) are not included in the ICR, but rather broken out separately in their own rate
- Fringe benefits can now appear as a direct cost in the grant budget
- Step 3 is done in 3 parts: <sup>3a</sup> calculate F/B rate; <sup>3b</sup> assign F/B's to indirect and direct columns; <sup>3c</sup> calculate ICR



# What are Fringe Benefits (F/B)?

- Allowances and services that employers provide to employees
  - Paid absences (vacation, sick, holiday) – are typically part of S&W at nonprofits, colleges and state/local govts.
  - Payroll taxes
  - Pension plan costs
  - Group insurance (health, life, disability)



# How to Calculate a Fringe Benefit Rate

- Pool (numerator) = fringe benefits (paid abs, payroll taxes, pension and insurance)
- Base (denominator) = total salaries (direct and indirect)
- Do a sample two rate method (ICR and fringe benefit rate) and check your answer
- Review the grantees proposed budget and check your answer