

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



Commercial, For-Profit 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
(¹obtain expenses, ²classify expenses, ³calculate rates (F/B rate and ICR), **but 3rd 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: ^{3a} calculate F/B rate; ^{3b} assign F/B's to indirect and direct columns; ^{3c} calculate ICR



What are Fringe Benefits (F/B)?

- Allowances and services that employers provide to employees
 - Paid absences (vacation, sick, holiday) – accounted for on hourly timesheets w/ labor charges.
 - 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