# Unallowable Costs under Uniform Grant Guidance (UGG)

| **Cost Principle** | **Unallowable Costs** |
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| **Advertising and Public Relations**[[1]](#footnote-1) | * All advertising and public relations costs other than as specified in paragraphs (b) and (d) of §200.421;
* Costs of meetings, conventions, convocations, or other events related to other activities of the entity, including:
	+ Costs of displays, demonstrations, and exhibits;
	+ Costs of meeting rooms, hospitality suites, and other special facilities used in conjunction with shows and other special events; and
	+ Salaries and wages of employees engaged in setting up and displaying exhibits, making demonstrations, and providing briefings;
* Costs of promotional items and memorabilia, including models, gifts, and souvenirs;
* Costs of advertising and public relations designed solely to promote the non-Federal entity.
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| **Advisory Councils** [[2]](#footnote-2) | * Costs incurred by advisory councils or committees are unallowable unless authorized by statute, the Federal awarding agency or as an indirect cost where allocable to Federal awards.
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| **Alcoholic Beverages**[[3]](#footnote-3) | * Alcoholic beverage costs are unallowable.
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| **Audit Services** [[4]](#footnote-4) | * Any costs when audits required by the Single Audit Act and Subpart F—Audit Requirements of this part have not been conducted or have been conducted but not in accordance therewith; and
* Any costs of auditing a non-Federal entity that is exempted from having an audit conducted under the Single Audit Act and Subpart F—Audit Requirements of this part because its expenditures under Federal awards are less than $750,000 during the non-Federal entity's fiscal year.
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| **Bad Debts** [[5]](#footnote-5) | * Bad debts costs are unallowable.
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| **Compensation- Personal Services** [[6]](#footnote-6) | * Costs which are unallowable under other sections of these principles must not be allowable under this section solely on the basis that they constitute personnel compensation.
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| **Compensation- Fringe Benefits** [[7]](#footnote-7) | * *Automobiles.* That portion of automobile costs furnished by the entity that relates to personal use by employees (including transportation to and from work) is unallowable as fringe benefit or indirect costs regardless of whether the cost is reported as taxable income to the employees.
* *Insurance.*  Costs of insurance on the lives of trustees, officers, or other employees holding positions of similar responsibility are allowable only to the extent that the insurance represents additional compensation. The costs of such insurance when the non-Federal entity is named as beneficiary are unallowable.
* *Pension Plan Costs.*
	+ Increases to normal and past service pension costs caused by a delay in funding the actuarial liability beyond 30 calendar days after each quarter of the year to which such costs are assignable are unallowable.
	+ Pension plan termination insurance premiums paid pursuant to the Employee Retirement Income Security Act (ERISA) of 1974 are allowable. Late payment charges on such premiums are unallowable. Excise taxes on accumulated funding deficiencies and other penalties imposed under ERISA are unallowable.
* *Severance Pay.*
	+ Costs incurred in certain severance pay packages which are in an amount in excess of the normal severance pay paid by the non-Federal entity to an employee upon termination of employment and are paid to the employee contingent upon a change in management control over, or ownership of, the non-Federal entity's assets, are unallowable.
	+ Severance payments to foreign nationals employed by the non-Federal entity outside the United States, to the extent that the amount exceeds the customary or prevailing practices for the non-Federal entity in the United States, are unallowable, unless they are necessary for the performance of Federal programs and approved by the Federal awarding agency.
	+ Severance payments to foreign nationals employed by the non-Federal entity outside the United States due to the termination of the foreign national as a result of the closing of, or curtailment of activities by, the non-Federal entity in that country, are unallowable, unless they are necessary for the performance of Federal programs and approved by the Federal awarding agency.
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| **Contingency Provisions** [[8]](#footnote-8) | * Contingency provision costs are generally unallowable.
 |
| **Contributions and Donations**[[9]](#footnote-9) | * Costs of contributions and donations, including cash, property, and services, from the non-Federal entity to other entities, are unallowable.
 |
| **Defense and Prosecution**[[10]](#footnote-10) | * Defense and prosecution of criminal and civil proceedings, claims appeals, and patent infringement are generally unallowable.
 |
| **Entertainment**[[11]](#footnote-11) | * Costs of entertainment, including amusement, diversion, and social activities and any associated costs are unallowable, except where specific costs that might otherwise be considered entertainment have a programmatic purpose and are authorized either in the approved budget for the Federal award or with prior written approval of the Federal awarding agency.
 |
| **Equipment and Other Capital Expenditures** [[12]](#footnote-12) | * Capital expenditures for general purpose equipment, buildings, and land are unallowable as direct charges, except with the prior written approval of the Federal awarding agency or pass-through entity.
* Capital expenditures for improvements to land, buildings, or equipment which materially increase their value or useful life are unallowable as a direct cost except with the prior written approval of the Federal awarding agency, or pass-through entity.
* Equipment and other capital expenditures are unallowable as indirect costs.
 |
| **Fines and Penalties**[[13]](#footnote-13) | * Costs resulting from non-Federal entity violations of, alleged violations of, or failure to comply with, Federal, state, tribal, local or foreign laws and regulations are unallowable, except when incurred as a result of compliance with specific provisions of the Federal award, or with prior written approval of the Federal awarding agency.
 |
| **Fundraising**[[14]](#footnote-14) | * Costs of organized fund raising, including financial campaigns, endowment drives, solicitation of gifts and bequests, and similar expenses incurred to raise capital or obtain contributions are unallowable.
* Costs of investment counsel and staff and similar expenses incurred to enhance income from investments are unallowable except when associated with investments covering pension, self-insurance or other funds which include Federal participation allowed by 2 CFR § 200 Subpart E.
 |
| **Goods or Services for Personal Use** [[15]](#footnote-15) | * Costs of goods or services for personal use of the non-Federal entity's employees are unallowable regardless of whether the cost is reported as taxable income to the employees.
* Housing costs, housing allowances and personal living expenses are only allowable as direct costs and must be approved in advance by the federal awarding agency.
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| **Idle Facilities** [[16]](#footnote-16) | * The costs of idle facilities are generally unallowable.
 |
| **Insurance** [[17]](#footnote-17) | * Costs of insurance or of contributions to any reserve covering the risk of loss of, or damage to, Federal Government property are unallowable except to the extent that the Federal awarding agency has specifically required or approved such costs.
* Costs of insurance on the lives of trustees, officers, or other employees holding positions of similar responsibilities are allowable only to the extent that the insurance represents additional compensation. The cost of such insurance when the non-Federal entity is identified as the beneficiary is unallowable.
* Costs of insurance with respect to any costs incurred to correct defects in the non-Federal entity's materials or workmanship are unallowable.
* Actual losses which could have been covered by permissible insurance (through a self-insurance program or otherwise) are unallowable, unless expressly provided for in the Federal award.
 |
| **Intellectual Property**[[18]](#footnote-18) | * The following costs related to securing patents and copyrights are unallowable:
	+ Costs of preparing disclosures, reports, and other documents, and of searching the art to make disclosures not required by the Federal award;
	+ Costs in connection with filing and prosecuting any foreign patent application, or any United States patent application, where the Federal award does not require conveying title or a royalty-free license to the Federal Government.
 |
| **Interest** [[19]](#footnote-19) | * Costs incurred for interest on borrowed capital, temporary use of endowment funds, or the use of the non-Federal entity's own funds are unallowable.
 |
| **Lobbying**[[20]](#footnote-20) | * Lobbying costs are generally unallowable.
 |
| Losses on other awards or contracts[[21]](#footnote-21) | * Any excess of costs over income under any other award or contract of any nature is unallowable.
 |
| Memberships [[22]](#footnote-22) | * Costs of membership in any country club or social or dining club or organization are unallowable.
* Costs of membership in organizations whose primary purpose is lobbying are unallowable.
 |
| Organization Costs[[23]](#footnote-23) | * Costs such as incorporation fees, brokers' fees, fees to promoters, organizers or management consultants, attorneys, accountants, or investment counselor, whether or not employees of the non-Federal entity in connection with establishment or reorganization of an organization, are unallowable except with prior approval of the Federal awarding agency.
 |
| Recruiting Costs [[24]](#footnote-24) | * Special emoluments, fringe benefits, and salary allowances incurred to attract professional personnel that do not meet the test of reasonableness or do not conform with the established practices of the non-Federal entity, are unallowable.
 |
| Relocation Costs of Employees [[25]](#footnote-25) | * The following costs related to relocation are unallowable:
	+ Fees and other costs associated with acquiring a new home.
	+ A loss on the sale of a former home.
	+ Continuing mortgage principal and interest payments on a home being sold.
	+ Income taxes paid by an employee related to reimbursed relocation costs.
 |
| Rental Costs of Real Property and Equipment[[26]](#footnote-26) | * Unallowable costs include amounts paid for profit, management fees, and taxes that would not have been incurred had the non-Federal entity purchased the property.
* The rental of any property owned by any individuals or entities affiliated with the non-Federal entity, to include commercial or residential real estate, for purposes such as the home office workspace is unallowable.
 |
| Selling and Marketing Costs[[27]](#footnote-27) | * Costs of selling and marketing any products or services of the non-Federal entity (unless allowed under §200.421 Advertising and public relations.) are unallowable, except as direct costs, with prior approval by the Federal awarding agency when necessary for the performance of the Federal award.
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| Student Activity Costs [[28]](#footnote-28) | * Costs incurred for intramural activities, student publications, student clubs, and other student activities, are unallowable, unless specifically provided for in the Federal award.
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Definitions

Non-Federal entity means a state, local government, Indian tribe, institution of higher education (IHE), or nonprofit organization that carries out a Federal award as a recipient or subrecipient.[[29]](#footnote-29)

1. 2 CFR § 200.421. [↑](#footnote-ref-1)
2. 2 CFR § 200.422. [↑](#footnote-ref-2)
3. 2 CFR § 200.423. [↑](#footnote-ref-3)
4. 2 CFR § 200.425. [↑](#footnote-ref-4)
5. 2 CFR § 200.426. [↑](#footnote-ref-5)
6. 2 CFR § 200.430. [↑](#footnote-ref-6)
7. 2 CFR § 200.431. [↑](#footnote-ref-7)
8. 2 CFR § 200.433. [↑](#footnote-ref-8)
9. 2 CFR § 200.434. [↑](#footnote-ref-9)
10. 2 CFR § 200.435. [↑](#footnote-ref-10)
11. 2 CFR § 200.438. [↑](#footnote-ref-11)
12. 2 CFR § 200.439. [↑](#footnote-ref-12)
13. 2 CFR § 200.441. [↑](#footnote-ref-13)
14. 2 CFR § 200.442. [↑](#footnote-ref-14)
15. 2 CFR § 200.445. [↑](#footnote-ref-15)
16. 2 CFR § 200.446. [↑](#footnote-ref-16)
17. 2 CFR § 200.447. [↑](#footnote-ref-17)
18. 2 CFR § 200.448. [↑](#footnote-ref-18)
19. 2 CFR § 200.449. [↑](#footnote-ref-19)
20. 2 CFR § 200.450. [↑](#footnote-ref-20)
21. 2 CFR § 200.451. [↑](#footnote-ref-21)
22. 2 CFR § 200.454. [↑](#footnote-ref-22)
23. 2 CFR § 200.455. [↑](#footnote-ref-23)
24. 2 CFR § 200.463. [↑](#footnote-ref-24)
25. 2 CFR § 200.464. [↑](#footnote-ref-25)
26. 2 CFR § 200.465. [↑](#footnote-ref-26)
27. 2 CFR § 200.467. [↑](#footnote-ref-27)
28. 2 CFR § 200.469. [↑](#footnote-ref-28)
29. 2 CFR § 200.69. [↑](#footnote-ref-29)