



TUTORIAL 26

What are Indirect Costs and Rates

In this tutorial we will talk briefly about “indirect costs and rates”. The phrase “Indirect costs and rates” is used in government accounting. It is introduced in this tutorial because when you start preparing your budget, this phrase will appear towards the end of the R&R Budget Form in Section F-K. This is bound to create some confusion and consternation for those who have never applied for a government grant before.

Our recommendation is that when you are ready to start working on the budget—take the time to review the short tutorials available from SBIR.gov on government accounting. These are designed with new vendors in mind and I’m sure you will find the short [video](#) on direct and indirect costs and rates to be useful. Please be sure to start there.

Keep in mind that there is only one section in the R&D budget where you will need to include information on indirect costs. The form has a place where you need to input your indirect cost rate as a percentage. Keep in mind that you can’t simply ask someone “What number should

I plug in here?” This is a company specific calculation. I would therefore recommend that you seek the advice of a service provider to assist you from a [Small Business Development Center \(SBDC\)](#), a [Procurement Technical Assistance Center \(PTAC\)](#) or from the [Senior Corps of Retired Executives \(SCORE\)](#). Each of these federally funded programs have personnel who understand government accounting and should be able to assist you with calculating your indirect costs and rate. A word of caution, most local tax accountants don’t have experience with government accounting systems, so it would be best to go to one of the service providers mentioned who will provide their services free or for a nominal charge.

4.6.3 R&R Related Budget – Section F-K, Budget Period 1 Form

F. Other Direct Costs			Funds Requested (\$)
1. Materials and Supplies			
2. Publication Costs			
3. Consultant Services			
4. ADP/Computer Services			
5. Subawards/Consortium/Contractual Costs			
6. Equipment or Facility Rental/User Fees			
7. Alterations and Renovations			
8. <input type="text"/>			
9. <input type="text"/>			
10. <input type="text"/>			
Total Other Direct Costs			
G. Direct Costs			Funds Requested (\$)
Total Direct Costs (A thru F)			
H. Indirect Costs			
Indirect Cost Type	Indirect Cost Rate (%)	Indirect Cost Base (\$)	Funds Requested (\$)
<input type="checkbox"/> <input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Add Additional Indirect Cost			
Total Indirect Costs			
Cognizant Federal Agency (Agency Name, POC Name, and POC Phone Number) <input type="text"/>			
I. Total Direct and Indirect Costs			Funds Requested (\$)
Total Direct and Indirect Institutional Costs (G + H)			
J. Fee			Funds Requested (\$)
K. Total Costs and Fee			Funds Requested (\$)
Total Costs and Fee (I + J)			
L. Budget Justification			
(Only attach one file.) <input type="text"/>			
<input type="button" value="Add Attachment"/> <input type="button" value="Delete Attachment"/> <input type="button" value="View Attachment"/>			
<input type="button" value="Add Period"/>			

Government accounting is complex. Therefore, don't expect that you will master this while preparing your DOE Phase I SBIR/STTR application. Work with a service provider; show them the budget form that you have downloaded from Grants.gov so that they have the big picture and ask them to help you to develop an indirect rate that is appropriate to enter in this form. If you win an award, then take the time to learn more about government accounting, but right now focus strictly on compiling your indirect costs and working with a service provider to develop your indirect cost rate.