

USDA Allowable and Unallowable Costs

Cost Category	Affected AMS Grant Program(s)	Description, Guidance and Exceptions
Advisory Councils	ALL	Unallowable for costs incurred by advisory councils or committees.
Alcoholic Beverages	ALL with exceptions	Unallowable for alcoholic beverages unless the cost is associated with fulfilling the purpose of the grant program and either approved in the application or with prior written approval.
Buildings and Land – Construction	ALL	<p>Unallowable for the acquisition of buildings, facilities, or land or to make additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations, or alterations of an existing building or facility (including site grading and improvement, and architecture fees). This also includes construction and construction-related materials, which may include, but are not limited to, the purchase of building materials such as wood, nails, concrete, asphalt, roofing, gravel, sand, paint, insulation, drywall, or plumbing.</p> <p>Allowable for rental costs of land and building space. However, lease agreements to own (i.e., lease-to-own or rent-to-own) are not allowable. The lease or rental agreement must terminate at the end of the grant cycle.</p> <p>A building is any permanent structure designed or intended for support, enclosure, shelter, or protection of people, animals, or property, and having a permanent roof supported by columns or walls.</p>
Conferences	ALL with exceptions	<p>Allowable if the conference fulfills the purpose of a grant program’s legislated purpose. Allowable conference costs paid by the non-Federal recipient as a sponsor or host of the conference may include rental of facilities, speakers’ fees, costs of meals (see Meals for restrictions), and refreshments, local transportation, and other items incidental to such conferences with the exception of entertainment costs that are unallowable. If registration fees are collected, the recipient must report fees as program income (see Program Income).</p> <p>Allowable to rent a building or room for training; however, where appropriate, AMS encourages the use of technologies such as webinars, teleconferencing, or videoconferencing as an alternative to renting a building or a room. The recipient should use the most cost-effective facilities, such as State government conference rooms if renting a building or a room is necessary.</p>
Contingency Provisions	ALL	Unallowable for miscellaneous and similar rainy-day funds for events the occurrence of which cannot be foretold with certainty as to the time or intensity, or with an assurance of their happening. Unallowable for working capital for activities/items not already in place.
Contractual/Consultant Costs (Professional Services)	ALL	<p>Allowable subject to limitations. Contractual/consultant costs are expenses associated with purchasing goods and/or procuring services performed by an individual or organization other than the recipient in the form of a procurement relationship.</p> <p>Allowable for contractor/consultant employee rates that do not exceed the salary of a GS-15 step 10 Federal employee in the area (for more information, visit the OPM website) and travel that is reasonable and necessary. This does not include fringe benefits, indirect costs, or other expenses. If rates exceed this amount, the recipient is required to justify the allowability of the cost aligning with 2 CFR §§ 200.317-327.</p>
Contributions or Donations	ALL	Unallowable for contributions or donations, including cash, property, and services, made by the recipient to other entities. An NFE using grant funds to purchase food or services to donate to other entities and/or individuals is unallowable.
Electronic Benefit Transfer (EBT) Machines	ALL	Unallowable for the purchase/lease of Supplemental Nutrition Assistance Program (SNAP) EBT equipment.

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Entertainment Costs	<i>ALL with exceptions</i>	<p>Unallowable for entertainment costs including amusement, diversion, and social activities and any costs directly associated with such costs (such as bands, orchestras, dance groups, tickets to shows, meals, lodging, rentals, transportation, and gratuities). Entertainment costs are defined in 2 CFR § 200.438.</p> <p>Allowable where the specific cost is considered to meet the requirements of the sponsored program and are authorized in the approved budget or with prior written approval.</p>
Equipment	<i>ALL</i>	<p>Unallowable for acquisition costs of general purpose equipment or lease agreements to own (i.e., lease-to-own or rent-to-own).</p> <p>Allowable for rental costs of general purpose equipment when provided in the approved budget or with prior written approval. Vehicles may be leased but not purchased. The lease or rental agreement must terminate at the end of the grant cycle.</p> <p>For vehicle and equipment leases or rentals with an acquisition cost that equals or exceeds \$5,000, rates should be in light of factors such as: rental costs of comparable vehicles and equipment, if any; market conditions in the area; alternatives available; and the type, life expectancy, condition, and value of the vehicle or equipment leased.</p> <p>Allowable when provided in the approved budget or with prior written approval for acquisition costs and rental costs of special purpose equipment provided the following criteria are met:</p> <ol style="list-style-type: none"> 1) Necessary for the research, scientific, or other technical activities of the grant agreement; 2) Not otherwise reasonably available and accessible; 3) The type of equipment is normally charged as a direct cost by the organization; 4) Acquired in accordance with organizational practices; 5) Must be used solely to meet the legislative purpose of the grant program and objectives of the grant agreement; 6) More than one single commercial organization, commercial product, or individual must benefit from the use of the equipment; 7) Must not use special purpose equipment acquired with grant funds to provide services for a fee to compete unfairly with private companies that provide equivalent services; and 8) Equipment is subject to the full range of acquisition, use, management, and disposition requirements under 2 CFR § 200.313 as applicable. <p>Definitions</p> <p>Equipment is defined as tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost that equals or exceeds the lesser of the capitalization level established by the NFE for financial statement purposes, or \$5,000.</p> <p>Acquisition cost means the cost of the asset including the cost to prepare the asset for its intended use. Acquisition cost for equipment is the net invoice price of the equipment, including the cost of any modifications, attachments, accessories, or auxiliary apparatus necessary to make it usable for its acquired purpose.</p> <p>General Purpose Equipment means equipment that is not limited to technical activities. Examples include office equipment and furnishings, modular offices, telephone networks, information technology equipment and systems, air conditioning equipment, reproduction and printing equipment, and motor vehicles.</p> <p>Special Purpose Equipment is equipment used only for research, scientific, or technical activities.</p>

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Equipment – Information Technology Systems and Telecommunications	ALL	<p>Unallowable for information technology systems having a useful life of more than one year and a per-unit acquisition cost that equals or exceeds the lesser of the capitalization level established in accordance with GAAP by the recipient for financial statement purposes or \$5,000. Acquisition costs for software include those development costs capitalized in accordance with GAAP.</p> <p>Information technology systems include computing devices, ancillary equipment, software, firmware, and similar procedures, services (including support services), and related resources. Computing devices means machines used to acquire, store, analyze, process, and publish data and other information electronically, including accessories (or “peripherals”) for printing, transmitting and receiving, or storing electronic information. Examples of unallowable information technology systems include service contracts, operating systems, printers, and computers that have an acquisition cost of \$5,000 or more. See also special prohibition on the purchase of certain telecommunications and video surveillance described in 2 CFR § 200.216.</p> <p>Allowable for website development, mobile apps, etc., that are not considered to be information technology systems but rather social media applications.</p>
Farm, Gardening, and Production Activities and Supplies	ALL with exceptions	<p>Unallowable for farm, gardening, and production activities, materials, supplies, and other related costs including but not limited to soil, seeds, shovels, gardening tools, greenhouses, and hoop houses.</p> <p>Allowable where the specific cost is considered to meet the requirements of the sponsored program and is authorized in the approved budget or with prior written approval.</p>
Fines, Penalties, Damages and Other Settlements	ALL	<p>Unallowable for costs resulting from violations of, alleged violations of, or failure to comply with, Federal, State, tribal, local, or foreign laws and regulations.</p>
Fixed Amount Subawards	ALL with exceptions	<p>Unallowable for cost related to fixed amounts subawards.</p> <p>Allowable to meet the requirements of the sponsored program (noncompetitive) and with prior written approval. A pass-through entity may provide subawards based on fixed amounts up to the simplified acquisition threshold, provided that the subawards meet the requirements for fixed amount awards in 2 CFR § 200.201.</p>
Fundraising and Investment Management Costs	ALL	<p>Unallowable for organized fundraising, including financial campaigns, solicitation of gifts and bequests, and similar expenses incurred to raise capital or obtain contributions, regardless of the purpose for which the funds will be used. This includes salaries of personnel involved in activities to raise capital.</p>

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General Costs of Government	ALL	<p>Unallowable for:</p> <ol style="list-style-type: none"> 1) Salaries and expenses of the Office of the Governor of a State or the chief executive of a local government or the chief executive of an Indian tribe; 2) Salaries and other expenses of a State legislature, tribal council, or similar local governmental body, such as a county supervisor, city council, school board, etc., whether incurred for purposes of legislation or executive direction; 3) Costs of the judicial branch of a government; 4) Costs of prosecutorial activities unless treated as a direct cost to a specific program if authorized by statute or regulation (however, this does not preclude the allowability of other legal activities of the Attorney General as described in 2 CFR § 200.435 Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements); and 5) Costs of other general types of government services normally provided to the general public, such as fire and police, unless provided for as a direct cost under a program statute or regulation.
Goods or Services for Personal Use	ALL	Unallowable for costs of goods or services for personal use of the recipient's employees regardless of whether the cost is reported as taxable income to the employees.
Indirect Costs – Unrecovered	ALL with exceptions	Unallowable for unrecovered indirect costs. Allowable for projects with match requirements to use unrecovered indirect costs as part of cost sharing or matching.
Insurance and Indemnification	ALL	Allowable when provided in the approved budget or with prior written approval as indirect costs for insurance and indemnification.
Lobbying	ALL	Unallowable as defined in 2 CFR § 200.450 .
Meals	ALL	<p>Unallowable for business meals when individuals go to lunch or dine together although no need exists for continuity of a meeting. Such activity is considered an entertainment cost.</p> <p>Unallowable for conference attendee breakfasts. It is expected attendees will have adequate time to obtain this meal on their own before a conference begins.</p> <p>Unallowable for meal costs that duplicate a meeting participant's per diem or subsistence allowances.</p> <p>Allowable for lunch or dinner meals if the costs are reasonable, and a justification is provided that such activity maintains the continuity of the meeting and to do otherwise will impose arduous conditions on the meeting participants.</p> <p>Allowable for meals consumed while in official travel status. They are considered per diem expenses and should be reimbursed in accordance with the organization's established written travel policies.</p>
Memberships, Subscriptions, and Professional Activity Costs	ALL	<p>Unallowable for costs of membership in any civic or community organization.</p> <p>Allowable for costs of membership in business, technical, and professional organizations when provided in the approved budget or with prior written approval.</p>

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Organization Costs	ALL	<p>Unallowable for costs of investment counsel and staff and similar expenses incurred to enhance income from investments.</p> <p>Allowable with prior approval for organization costs per 2 CFR § 200.455.</p>
Participant Support Costs	ALL	<p>Allowable when provided in the approved budget or with prior written approval for such items as stipends or subsistence allowances, and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with approved conferences, training projects, surveys, and focus groups.</p>
Political Activities	ALL	<p>Unallowable for development or participation in political activities, in accordance with provisions of the Hatch Act (5 U.S.C. §§ 1501-1508 and §§ 7324-7326).</p>
Pre-Award Costs	ALL	<p>Allowable when provided in the approved budget or with prior written approval of such costs are necessary for efficient and timely performance of the project's scope of work. Such costs are allowable only to the extent that they would have been allowable if incurred after the date of the Federal award. If charged to the award, these costs must be charged to the initial budget period of the award, unless otherwise specified by AMS.</p> <p>A recipient may incur pre-award costs 90 calendar days before the award. Expenses more than 90 calendar days pre-award require prior approval. These costs and associated activities must be included in the recipient's project narrative and budget justification. All costs incurred before the award are at the potential recipient's risk. The incurrence of pre-award costs in anticipation of an award imposes no obligation on AMS to award funds for such costs.</p>
Printing and Publications	ALL	<p>Allowable to pay the cost of preparing informational leaflets, reports, manuals, and publications relating to the project; however, the printing of hard copies is discouraged given the prevalence of electronic/virtual publication means. If charged to the award, these costs must be charged to the final budget period of the award, unless otherwise specified by AMS.</p>
Rearrangement and Reconversion Costs	ALL	<p>Allowable as indirect costs with prior approval for cost incurred for ordinary and normal rearrangement and alteration of facilities.</p> <p>Allowable as direct costs with prior approval for special arrangements and alterations costs incurred specifically for the award.</p> <p>Rearrangement and reconversion costs are those incurred in restoring or rehabilitating the non-Federal entity's facilities to approximately the same condition existing immediately before the start of the grant agreement, less costs related to normal wear and tear.</p>
Salaries and Wages	ALL	<p>Allowable as part of employee compensation for personnel services in proportion to the amount of time or effort an employee devotes to the grant-supported project or program during the period of performance under the Federal award, including salaries, wages, and fringe benefits. Such costs must be incurred under formally established policies of the organization, be consistently applied, be reasonable for the services rendered, and be supported with adequate documentation.</p> <p>Salary and wage amounts charged to grant-supported projects or programs for personal services must be based on an adequate payroll distribution system that documents such distribution in accordance with generally accepted practices of like organizations. Standards for payroll distribution systems are contained in the applicable cost principles (other than those for for-profit organizations).</p> <p>Unallowable for salaries, wages, and fringe benefits for project staff who devote time and effort to activities that do not meet the legislated purpose of the grant program.</p>

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Selling and Marketing Costs – Promotion of an Organization’s Image, Logo, or Brand Name	ALL	<p>Unallowable for costs designed solely to promote the image of an organization, a general logo, or a general brand.</p> <ul style="list-style-type: none"> Promotional items could say “Buy STATE/COUNTY Grown Apples” but not “XYZ Grown”, which promotes XYZ generically. A promotional campaign to increase producer sales of “STATE/COUNTY Grown fruits and vegetables” is acceptable while increasing membership in “STATE/COUNTY Grown” generally is not.
Selling and Marketing Costs – Promotion of Venues that do not Align with Grant Program Purpose	ALL	<p>Unallowable for costs for promotion of specific venues, tradeshow, events, meetings, programs, conventions, symposia, seminars, etc. that do not align with the legislated purpose of the grant program.</p>
Selling and Marketing Costs – Promotional Items, Gifts, Prizes, etc.	ALL with exceptions	<p>Unallowable for promotional items, swag, gifts, prizes, memorabilia, and souvenirs.</p> <p>Allowable with conditions to meet the requirements of the sponsored agreement, in the approved application or with prior approval for marketing activities directly related to the funded project. Promotional items include point-of-sale materials, promotional kits, signs or streamers, automobile stickers, table tents, and placemats, or promotional items of a personal nature (e.g., t-shirt, hats, etc.).</p>
Selling and Marketing Costs – Coupons, Incentives or Other Price Discounts	ALL	<p>Unallowable for costs of the value of coupon/incentive redemptions or price discounts (e.g., the \$5.00 value for a \$5.00 clip-out coupon).</p> <p>Allowable for costs associated with printing, distribution, or promotion of coupons/tokens or price discounts (e.g., a print advertisement that contains a clip-out coupon) as long as they benefit more than a single program or organization.</p>
Selling and Marketing Costs – Food for Displays, Tastings, Cooking Demonstrations	ALL with exceptions	<p>Unallowable for purchasing food for displays, tastings, and cooking demonstrations.</p> <p>Allowable where the specific cost is considered to meet the programmatic purpose of the sponsored program and is authorized in the approved budget or with prior written approval.</p>
Selling and Marketing Costs – General Marketing Costs	ALL with exceptions	<p>Unallowable for costs designed solely to promote the image of an organization, general logo, or general brand.</p> <p>Allowable for costs designed to promote products that align with the purpose of the grant program.</p>
Selling and Marketing Costs – Sponsorships	ALL	<p>Unallowable for costs associated with sponsorships. A sponsorship is a form of advertising in which an organization uses grant funds to have its name and/or logo associated with certain events and where the organization does not necessarily know how the funds associated with sponsorship costs will be used. These costs also benefit only the organization offering funding, limiting the beneficiaries to the sponsor organization.</p>
Selling and Marketing Costs – Use of Meeting Rooms, Space, exhibits that do not Align with Grant Program Purpose	ALL	<p>Unallowable for costs associated with trade show attendance/displays, meeting room reservations, and/or any other displays, demonstrations, exhibits, or rental of space where activities do not specifically align with the purpose of the grant program. See Conferences for more information.</p>

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Supplies and Materials, Including Costs of Computing Devices	ALL	<p>Allowable for costs incurred for materials, supplies, and fabricated parts necessary to carry out a Federal award. Purchased materials and supplies must be charged at their actual prices, net of applicable credits. Withdrawals from general stores or stockrooms should be charged at their actual net cost under any recognized method of pricing inventory withdrawals, consistently applied. Incoming transportation charges are a proper part of materials and supplies costs. Only materials and supplies used for the performance of a Federal award may be charged as direct costs. A computing device is a supply if the acquisition cost is less than the lesser of the capitalization level established by the recipient for financial statement purposes or \$5,000, regardless of the length of its useful life. In the specific case of computing devices, charging as a direct cost is allowable for devices that are essential and allocable, but not solely dedicated, to the performance of a Federal award. Where Federally donated or furnished materials are used in performing the Federal award, such materials will be used without charge.</p>
Training	ALL	<p>Allowable when the training is required to meet the objectives of the project or program, including training that is related to Federal grants management.</p>
Travel – Domestic and Foreign	ALL	<p>Allowable for travel, when provided in the approved budget or with prior written approval when costs are limited to those allowed by formal organizational policy and the purpose aligns with the legislated purpose of the program.</p> <p>The allowable travel cost of recipients that do not have formal travel policies and for-profit entities may not exceed those established by the Federal Travel Regulation, issued by General Services Administration (GSA), including the maximum per diem and subsistence rates prescribed in those regulations. If a recipient does not have a formal travel policy, those regulations will be used to determine the amount that may be charged for travel costs.</p>