

2 CFR Part 200 Excerpts: Unallowable Costs

2 CFR Part 200 Section Subpart E Cost Principles; Listing of Costs that are Unallowable either as a Direct or Indirect Charge to Federal Grants and Contracts. Note: These excerpts are a high-level summary. [CFR Part 200 section Subpart E Cost Principles](#) should be referred to for specific questions and language.

2 CFR Part 200 Section Reference	Description
421	Advertising costs are unallowable unless they are necessary to meet the requirements of the sponsored agreement.
421	Public Relations Costs are unallowable except for (1) costs specifically required by sponsored agreements, (2) cost of communicating with the public and press pertaining to specific accomplishments which result from performance of sponsored agreements or (3) costs of conducting communication and liaison necessary to keep the public informed on matters of public concern such as notices of awards, financial matters, etc.
422	Advisory councils or committees costs are unallowable unless authorized by statute, the awarding agency or as an indirect cost where allocable to sponsored awards.
423	Alcoholic beverage costs are unallowable.
424	Alumni activity costs are unallowable.
426	Bad debt costs are unallowable.
429	Commencement and convocation costs are unallowable.
431	<p>Institution furnished automobile costs for personal use are unallowable.</p> <p>Severance costs incurred in excess of the institution's normal severance pay policy applicable to all persons employed at the institution upon termination of employment are unallowable.</p> <p>Tuition benefits for family members other than the employee are unallowable.</p>
433	Contingency provision costs are generally unallowable.

2 CFR Part 200 Section Reference	Description
434	Contributions and donations made are unallowable.
435	Defense and prosecution of criminal and civil proceedings, claims appeals, and patent infringement are generally unallowable.
438	Entertainment costs including amusement, diversion, and social activities and any costs directly associated with such costs are unallowable unless they are required for programmatic purposes and either in the approved budget or with prior written approval.
441	Fines and penalties costs resulting from violations of, alleged violations of, or failure to comply with federal, state, local or foreign laws and regulations are unallowable unless specifically approved by a federal agency or with prior written approval.
442	<p>Fundraising costs including financial campaigns, endowment drives, solicitation of gifts and similar expenses incurred to raise capital or obtain contributions are unallowable.</p> <p>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 Part 200 subpart E.</p>
445	Goods and services costs for personal use are unallowable regardless of whether the cost is reported as taxable income.
445	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.
447	Insurance costs when reasonable and necessary are generally allowable. See section 445 for specifics. Insurance to protect against defects in the institution's materials or workmanship are unallowable. Losses which could have been covered by insurance are unallowable unless expressly allowed by the sponsor.
448	<p>Intellectual Property</p> <p>Patent costs, copyrights and related disclosures and filings are generally unallowable unless required by the federal award.</p> <p>Royalties on a patent or copyright and related costs are allowable only if necessary for the proper performance of the federal award and if the federal government does not already have a license, the patent is valid and enforceable. Also see section 448 for other details.</p>

2 CFR Part 200 Section Reference	Description
449	Interest on borrowed capital, temporary use of endowment funds, or the use of an institutions own funds are unallowable.
450	Lobbying costs are unallowable unless specifically authorized by statute to be undertaken with funds from sponsored agreements.
451	Losses on other sponsored agreements or contracts are unallowable.
454	Membership costs in any civic, community organization, country club or social or dining club or organization are unallowable. Cost of memberships in organizations whose primary purpose is lobbying are unallowable.
456	Participant support costs as defined in 200.75 are allowable with the prior approval of the federal awarding agency.
458	Preaward costs are allowable only when deemed necessary for the performance for the scope of the federal award and only to the extent that they would have been allowable if incurred after the date of the federal award and only with written approval of the federal awarding agency.
463	Recruiting costs for help wanted advertising, special emoluments, fringe benefits and salary allowances incurred to attract professional personnel from other institutions that do not conform with the established practices of the institution are unallowable.
464	Relocation costs related to: fees and costs with acquiring a new home; loss on sale of former home; mortgage payments on a home being sold and income taxes related to relocation costs are unallowable. Allowable costs incurred where an employee resigns within 12 months after hire must be refunded or credited to the federal award.
465	Rental costs under “sale and leaseback” arrangements and “less-than-arm’s length” leases are only allowable up to the amount that would be allowed had the entity continued to own the property.
467	Selling and marketing costs of products or services of the institution are unallowable except as a direct cost when approved by the awarding agency when necessary for the performance of the award
469	Student activity costs are unallowable unless specifically provided in the sponsored agreements.
Appendix III, B8(a)	Rare books (museum type books) with no value to sponsored agreements are unallowable.