

Module 5 - Modified Total Direct Costs

Fact Sheet for Federal Grant Recipients & Subrecipients

What Is MTDC?

Modified Total Direct Costs (MTDC) is the cost base used to calculate indirect costs under federal grants. It includes certain direct costs while **excluding categories that do not proportionally benefit from indirect support**.

MTDC is used for:

- Indirect cost proposals
- NICRA calculations
- Subrecipient monitoring
- Application of the **15% de minimis indirect cost rate**
- Federal budget development & reporting

Even under the **15% de minimis rate**, indirect costs must be applied **only to MTDC**, not total direct costs.

What Is Included In MTDC?

Updated per your specifications:

- Salaries & wages
- Fringe benefits
- Materials & supplies
- Travel
- Professional services (unless excluded below)
- The first \$50,000 of each subaward (regardless of period of performance)

What Is Excluded In MTDC?

1. Equipment \geq \$10,000
 - Your updated capitalization threshold replaces the previous \$5,000 standard.
2. Capital expenditures (e.g., construction, buildings, improvements)
3. Patient care costs
4. Tuition remission
5. Scholarships & fellowships
6. Rental costs of off-site facilities
 - Always excluded from MTDC
 - (Administrative rental is presumed covered in the de minimis rate)
7. Subaward amounts above \$50,000 per subawardee
8. Participant support costs

Why Are These Items Excluded?

These categories either:

- Don't proportionally receive indirect support,
- Are large-dollar items that would distort the cost base, or
- Are treated differently under federal rules.

MTDC Calculation Examples

Example 1 — Standard Grant with Subawards (Updated Thresholds)

Direct Costs Budget

Cost Category	Amount	MTDC Treatment
Salaries	\$200,000	Included
Fringe Benefits	\$50,000	Included
Travel	\$25,000	Included
Equipment	\$80,000	Excluded (>\$10K)
Supplies	\$15,000	Included
Subaward A	\$120,000	First \$50,000 included
Subaward B	\$60,000	First \$50,000 included
Participant Support	\$30,000	Excluded

Step 1: Add Included MTDC Costs

- Salaries: \$200,000
- Fringe: \$50,000
- Travel: \$25,000
- Supplies: \$15,000
- Subaward A (first \$50K): \$50,000
- Subaward B (first \$50K): \$50,000

Updated MTDC Total = \$390,000

Step 2: Apply 15% De Minimis Rate

- Indirect costs = \$390,000 × 15% = \$58,500

Budget Takeaway

Although total direct costs = **\$580,000**, only **\$390,000** is allowable for indirects because equipment, participant support, and subaward amounts > \$50K are excluded.

Example 2 — Off-Site Facility Rental + Updated Equipment Threshold

Direct Costs Budget

Cost Category	Amount	MTDC Treatment
Salaries	\$150,000	Included
Fringe Benefits	\$45,000	Included
Training Supplies	\$12,000	Included
Travel	\$18,000	Included
Off-Site Facility Rental	\$40,000	Excluded
Contracted Evaluator	\$35,000	Included
Equipment Purchase	\$10,000	Excluded (≥ \$10K)

Step 1: Add Included MTDC Costs

- Salaries: \$150,000
- Fringe: \$45,000
- Supplies: \$12,000
- Travel: \$18,000
- Contracted Evaluator: \$35,000

Updated MTDC Total = \$260,000

Step 2: Apply 15% Indirect Cost Rate

- Indirect costs = \$260,000 × 15% = \$39,000

Quick MTDC Compliance Checklist (Updated)

- ✓ Salaries & fringe included
- ✓ Only first **\$50K** of each subaward included
- ✓ Equipment **≥ \$10,000** excluded
- ✓ Off-site rental excluded
- ✓ Participant support excluded
- ✓ Capital expenditures excluded
- ✓ Use MTDC **before** applying the 15% indirect rate