

# Effort Reporting Requirements

## Appendix E: Guidelines for Salary Charged to NIH Awards

### ISU's Implementation of NIH (National Institutes of Health) Salary Cap Policy

The NIH salary cap is a legislatively mandated provision limiting the amount of direct salary or institutional base salary that an individual may receive from an NIH Grant.

The NIH Notice on Salary Limitations on Grants, Cooperative Agreements and Contracts defines institutional base salary as follows:

*"For the purposes of the salary limitation, the terms "direct salary," "salary," and "institutional base salary" have the same meaning and are exclusive of fringe benefits and facilities and administrative (F&A) expenses, also referred to as indirect costs. An individual's institutional base salary is the annual compensation that the applicant organization pays for an individual's appointment, whether that individual's time is spent on research, teaching, patient care, or other activities. Base salary excludes any income that an individual may be permitted to earn outside of the duties to the applicant organization."*

This limit applies to all salaries that are directly charged to all NIH funded grants regardless of the award's beginning and end date. This cap is set by Congress through their approval of the NIH Appropriation Act. The cap amount normally changes on January 1<sup>st</sup> of each calendar year. The salary cap summary and time frames associated with each cap can be found here: [http://grants.nih.gov/grants/policy/salcap\\_summary.htm](http://grants.nih.gov/grants/policy/salcap_summary.htm) .

#### Examples of how to calculate the NIH Salary Cap:

1. If the current NIH salary cap is \$185,100, the PI's B-base salary is \$160,000 (9 month pay base) and the PI commits one month compensated effort to the project, how much salary can be paid by the NIH grant?

**Answer:** Start with evaluating the cap versus the PI's salary. As the PI's salary is for 9 months rather than 12 months for the NIH Salary Cap, the cap must be first converted to a 9 month amount. To determine the 9 month NIH Salary Cap:  $\$185,100 * (9/12) = \$138,825$ .

Since the PI's salary is greater than the NIH Salary Cap calculation for 9 months, the following salary cap calculation would be used to determine the maximum that could be paid on the grant for one month is:

$$\$138,825 * (1 \text{ month effort} / 9) = \underline{\$15,425 \text{ or } \$15,425 \text{ for any given month}}$$

The amount over the salary cap, \$2,353 ( $((\$160,000/9) - \$15,425) * 1 \text{ month}$ ) must be charged to an ISU unrestricted account.

2. If the current NIH salary cap is \$185,100, the PI's A-base salary is \$240,000 (12 month pay base), and the PI commits 20% of effort the project for the current year, how much salary can be paid by the NIH grant?

**Answer:** Start with evaluating the cap versus the annual salary. Since the PI's 12 month salary is greater than the cap, the maximum that could be paid on the grant for 20% effort is:

$$\$185,100 * (.20) = \underline{\$37,020}$$

The amount over the salary cap,  $(\$240,000 - \$185,100) * .20 = \$10,980$  must be charged to an ISU unrestricted account.

#### Contact Information

If questions, please contact [Sponsored Programs Accounting \(SPA\)](#) at 294-4569.