

NIH Salary Cap Procedure / Award Stage (Policy No. 400.3)



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Overview

The procedures and examples below are intended to assist in accounting for salaries over a sponsor imposed salary cap. The example below uses the 2011 NIH salary cap level. Consult the Salary Cap Summary for the current NIH salary cap at: http://grants.nih.gov/grants/policy/salcap_summary.htm.

Procedure

➤ **Accounting for Academic Year Salary over the NIH Salary Cap**

1. Determine the employee's percentage of effort for each activity

Example: Professor X has a 9 month appointment during the academic year (AY) and has the following distribution:

Activity	Committed Effort (AY)
NIH Award #1	20%
NIH Award #2	30%
University Activities	50%

2. Calculate the percentage of the employee’s monthly salary that can be charged to each NIH award

Example: Prof. X’s institutional base salary per month is \$20, 833, which exceeds the NIH Salary Cap of \$16,641.67. Although Prof. X spends 20% time on NIH Award #1, the percent charged to the NIH award is calculated against the NIH cap of \$16,641.67 rather than the IBS of \$20,833: 20% effort on NIH Award #1 x \$16,641.67/\$20,833 = 15.98% chargeable to NIH Award #1. The remaining 4.02% (20% - 15.98%) of Prof. X's effort is cost sharing and must be charged to a non-federal source having no restrictions that would preclude the payment of costs associated with the NIH-funded project or with non-sponsored funds.

Project	% Committed Effort	% Distribution to NIH Acct	\$ Distribution to NIH Acct	% Distribution to 2-ledger	\$ Distribution to 2-ledger
NIH Award #1	20%	15.98%	\$3,329	4.02%	\$837
NIH Award#2	30%	23.96%	\$4,992	6.04%	\$1,258
University Activities	50%	0	0	50%	\$10,417
Total Sponsored Funding			\$8,321	Total Non- Federal or Non-Sponsored Funds	\$12,512
Total Salary					\$20,833

➤ **Accounting for Summer Salary over the NIH Salary Cap**

Summer salary of academic year appointees is also subject to the salary rate cap. Summer pay is based on effort and is chargeable to NIH awards up to the capped rate.

The following example provides guidance for employees who charge **summer** compensation to one or more projects funded by NIH awards, and whose salary exceeds the imposed cap.

1. Determine the employee’s percentage of effort for each activity

Example: Professor Y has a 9 month faculty appointment. Prof. Y’s 9 month academic institutional base salary is \$180,000 charged to a department 2-ledger account during the academic year. During the summer, Prof. Y’s monthly rate of pay is \$20,000. During the month of July, Prof. Y will devote effort to the following projects:

Activity	Committed Effort (summer)
NIH Award	50%
University of Rhode Island (URI) Subaward (NIH Prime)	20%

2. Calculate the percentage of the employee’s July compensation that can be charged to each award. This example is using the NIH salary Cap 2011

Prof. Y is paid \$20,000/month exceeding the monthly NIH Salary Cap of \$16,641.67. 50% effort on the NIH Award x \$16,641.67 (monthly NIH cap) ÷ by \$20,000 (total monthly compensation) = 41.6% charged to the NIH Award. 8.4% (the remaining percentage 50% - 41.6% = 8.4%) must be charged to a non-federal source having no restrictions that would preclude the payment of costs associated with the NIH-funded project or with non-sponsored funds. 20% effort on URI’s account x \$16,641.67 (monthly NIH rate cap) ÷ \$20,000 (total monthly compensation) = 16.64% charged to URI’s account. The remaining percentage (20% - 16.64% = 3.36%) must be charged to a non-federal source having no restrictions that would preclude the payment of costs associated with the NIH-funded project or with non-sponsored funds. **Note: In general, faculty with a 9 month appointment and receiving summer compensation from a sponsored project may not be compensated by Brown for salary over a sponsor imposed cap.** Salary for a 9 month appointment reflects the academic year salary only (even when paid out over 12 months) with no obligation to provide summer salary support.

Project	% Committed Effort	% Distribution to NIH Acct	\$ Distribution to NIH Acct	% Distribution to 2-ledger	% Distribution to 2-ledger
NIH	50%	41.6%	\$8,320.84	8.4%	\$1,679.16
URI	20%	16.64%	\$3,328.33	3.36%	\$671.67
Total Sponsored Funding			\$11,649.17	Total Non- Federal or Non-Sponsored Funds	\$2,350.83
Total Salary					\$14,000

Contacts

Subject	Contact	Phone
Award Stage – Policy and Procedure Questions	Grants/Contracts Accountant	401-863-2777

Revision History

- Version 1 - New procedure – 10/18/11

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