

**PURDUE UNIVERSITY
SPONSORED PROGRAM SERVICES**

(Supplements F&A Instruction dated November 19, 2022)

West Lafayette Campus Facilities and Administrative (F&A) Cost Rate
Purdue University Effective Date: July 1, 2026

Background

Recent updates to the Uniform Guidance have introduced key changes that affect the financial management of federal awards. These updates impact two primary areas: indirect cost recovery on subcontract costs and the capitalization threshold for equipment purchases.

Indirect Cost Recovery on Subcontract Costs

Under prior guidance, Purdue University could apply indirect costs only to the first \$25,000 of each subcontract under a federal award. The revised Uniform Guidance increases this threshold to \$50,000. This expansion allows for indirect cost recovery on a greater portion of subcontract expenses, enhancing the ability to support administrative activities associated with subcontract management.

Equipment Capitalization Threshold

Under prior guidance, Purdue University's threshold for capitalization of equipment was \$5,000. With the revision to Uniform Guidance in October 2024, the University increased the capital equipment threshold to \$10,000 effective July 1, 2026. Items costing less than \$10,000 will now be treated as supply expenses rather than capital equipment.

Implementation Plan: Subcontract Indirect Cost Recovery Threshold

- Effective with the date of this instruction, Purdue University will apply the new \$50,000 indirect cost recovery threshold to all new sponsored project proposals with start dates on or after July 1, 2026.
- Awards budgeted at the new threshold, with start dates after July 1, 2026, will charge F&A to the first \$50,000 of the subcontract payment.
- Proposals awarded that were budgeted at the \$25,000 threshold submitted prior to this change will be grandfathered at the \$25,000 threshold until a new budget is approved or the award undergoes a competing renewal.
- Awards with start dates before July 1, 2026 will continue using the \$25,000 threshold unless a new budget is approved or the award undergoes a competing renewal.
- Existing awards not subject to a re-budget or competing continuation/renewal will experience no financial impact, as the change applies prospectively.

Implementation Plan: Equipment Capitalization Threshold

- Effective July 1, 2026, the new \$10,000 capitalization threshold will take affect for all sponsored project proposals, existing awards, and new awards.
- Effective with the date of this instruction, all proposals with purchases expected on or after July 1, 2026 must plan for the updated threshold when budgeting supplies and equipment.
- Existing awards will transition to the \$10,000 threshold on July 1, 2026; any purchases made on or after this date will follow the new rule.
- Principal Investigators (PIs) should review planned and upcoming equipment purchases to determine any budgetary impacts, as items under \$10,000 will be treated as supplies. This will impact the indirect cost calculations. In some cases, the approved budget may need to be revised to accommodate such impact. SPS Post Award should be consulted if sponsor approval is required for a revised budget.

Summary Table: Key Implementation Points

Change	Old Threshold	New Threshold	Effective Date	Impact
Subcontract Indirect Cost Recovery	\$25,000	\$50,000	07/01/2026	New proposals/awards with start dates on or after July 1, 2026 will use new threshold; no financial impact for existing awards unless re-budgeted.
Equipment Capitalization	\$5,000	\$10,000	07/01/2026	All existing and new awards will follow the new threshold; PIs should plan for potential budget impacts.

If you have questions concerning these instructions, please contact either the appropriate Sponsored Program Services Account Manager or your Director of Financial Affairs.