**FAQs – Fringe Costs**

**Q1.** What are considered fringe costs?

**A1.** Fringe costs can include the following:

1. Employer-paid payroll taxes, typically 7.65% of gross wages
2. Paid Time-off
3. Company-paid health care insurance premiums
4. Company 401k contributions
5. Worker’s compensation insurance
6. State and local payroll tax

**Q2**. How should fringe be shown in the budget?

**A2**. There are two options.

**Option 1** - You can show fringe as being added to the project salary as a percentage of that salary (by individual). This would have to be explained in some detail in the budget justification form.

**Option 2** – Assume that fringe costs will be part of the total indirect costs shown later in the budget.

**Q3**. Is there a limit for a fringe rate or fringe costs?

**A3.** The only limitation is that costs must be “fair and reasonable.” The test of reasonableness: *A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person in the conduct of competitive business.* (FAR 31.201-3).

**Q4**. Can fringe benefits/rates be different for different employees?

**A4.** Yes, as long as it’s legally allowed. However, unless you have a very large operation, all fringe costs would normally be collected in a single cost pool in order to calculate a single fringe rate. In other words, you would not have a fringe rate for an individual that’s different for another individual. You would have one fringe rate for the company.