



University of Massachusetts  
Amherst

Administration & Finance  
345 Whitmore Building  
Amherst, MA 01003

phone: 413.545.2141  
fax: 413.545.2114  
email: amangels@admin.umass.edu

**Memorandum**

TO: Principal Investigators and Department Personnel

FROM: Andrew P. Mangels, Associate Vice Chancellor & Budget Director

DATE: March 6, 2013

SUBJECT: NIH Salary Cap Policy

In accordance with the Consolidated Appropriations Act, 2012 (Public Law 112-74), the U.S. Department of Health and Human Services (DHHS) imposes a base salary cap which restricts the amount of direct salary chargeable to DHHS sponsored grants<sup>1</sup> and contracts (commonly referred to as the “NIH Salary Cap”). The NIH Salary cap for grants issued after October 1, 2011 has been reduced to \$179,700 (14,975/month) *annual salary* for awards issued on or after December 23, 2011<sup>2</sup>. **Faculty on a nine-month appointment with an annual base salary of more than \$134,775 are over the NIH cap and can only charge NIH grants a pro-rata share of effort based on the capped salary amount.** See example below.

1. Academic Year Effort of Faculty with Salary in Excess of the NIH Salary Cap

Departments are responsible for ensuring that academic year salaries are charged appropriately to NIH grants within the salary cap guidelines. Academic year salary in excess of the cap will be cost shared from where your base salary is funded. If the amount above the salary cap is specified in the contract language as mandatory cost share, a personnel action form must be completed to enable reporting to the sponsor. Otherwise, the amount of salary above the cap will be automatically included and certified on the effort card at the end of the fiscal year as voluntary committed cost share. The excess portion above the cap shall be listed as cost share on the Internal Processing Form along with the account

---

<sup>1</sup> DHHS sponsored grants are primarily from NIH, HRSA, AHRQ, CDC, FDA, SAMHSA agencies.

<sup>2</sup> The federal government periodically updates the salary cap limits. The applicable limits can be found at [http://grants.nih.gov/grants/policy/salcap\\_summary.htm](http://grants.nih.gov/grants/policy/salcap_summary.htm).

number and approval of the signing authority for the source of funds to be charged.

2. Summer Additional Compensation of Faculty with Salary in Excess of the NIH Salary Cap

Departments are responsible for ensuring that summer additional compensation is charged appropriately to NIH grants within the salary cap guidelines. The salary cap allows a maximum rate of \$14,975 per month of committed effort. Typically, faculty will fund the excess portion of their salary above the cap from a non-federal source such as RTF%, research support funds, gifts, or other sources of funds. The excess portion above the cap shall be listed as cost share on the Internal Processing Form along with the account number and approval of the signing authority for the source of funds to be charged.

Faculty may voluntarily elect to receive the lower NIH monthly salary cap rate of \$14,975 for the portion of time spent on NIH grants during the summer. **This election is not recommended** as it creates two different rates of base salary for the same effort certification period and exposes the faculty member to under-reporting of effort to the NIH. Faculty will need to execute the following steps:

- a. At proposal stage, include with the routing of the proposal a written statement indicating that you have voluntarily elected not to collect the portion of the salary above the imposed caps and understand that your rate of pay will be below your annualized monthly salary.
- b. Clearly indicate on the summer add comp personnel action form that a voluntary reduction in base salary rate equal to the NIH salary cap is being elected.
- c. Send a copy of the PA to the Office of Cost Analysis.
- d. The HR Office will use a special earnings code to track the effort to assist the faculty member in manually adjusting the year-end effort card to reflect the accurate amount of effort spent on the grant.

Please contact Will Shea, Office of Cost Analysis at 7-0313 or [wshea@admin.umass.edu](mailto:wshea@admin.umass.edu) or Carol Sprague, OGCA at 5-0698 with any questions.

NIH Salary Cap Example:

Assume PI Smith earns \$162,000 for a nine-month academic appointment. Smith's monthly salary is \$18,000 (\$162,000/9 months) and annualized salary is \$216,000 (\$18,000 x 12) which is above the NIH annual salary cap of \$179,700 and must be cost shared by the university.

Furthermore, assume Smith is committing one month of budgeted effort to an NIH grant. The effective NIH salary monthly cap rate is \$14,975 (\$179,700/12) and the difference between the capped rate (\$14,975) and the UMass appointed rate (\$18,000) equals \$3,025. This amount above the cap must be funded by non-federal sources and shown as cost-share on the effort report as described above.