**Salary Cap Limitations**

A salary cap is defined as the maximum annual rate of salary for full-time effort that can be charged to an award. The Department of Health and Human Services (DHHS), which includes the NIH (National Institutes of Health), is governed by regulations establishing a maximum salary that may be paid to an individual working on an award. Actual salary paid to an individual is not constrained by the salary cap, but the portion of salary in excess of the rate cap is not allowed on the award.

Effective January 10, 2016, the NIH (and all other DHHS agency) salary cap has increased from $183,300 to *$185,100 annually* ***or*** *$15,425.00 monthly.*

Details about the change can be found in NIH Notice [#NOT/-OD-16-045](http://grants.nih.gov/grants/guide/notice-files/NOT-OD-16-045.html). The Department of Health and Human Services (DHHS) agencies subject to the cap include:

* The National Institutes of Health (NIH),
* The Substance Abuse and Mental Health Services Administration (SAMHSA),
* The Agency for Healthcare Research and Quality (AHRQ)
* The Center for Disease Control (CDC)
* The Health Resources and Services Administration (HRSA)

**How does the Cap Work**

The salary rate cap only affects employees whose Institutional Base Salary (IBS) is above the cap, and who charge some or all of their salary to these awards. For these employees, the amount of salary that can be charged to the grant is based on the *percentage of effort devoted to the grant* multiplied by the salary cap. The portion of salary in excess of the cap is not allowable on the grant. The PI should ensure that adequate non-sponsored funding is available to cover any cost in excess of the cap. Below are examples of how the cap is calculated and handled at the proposal, payroll and effort certification phases:

* ***Proposal –*** At the proposal stage the current cap should be used for calculating salary for any individual whose IBS (pay rate including any administrative stipends for Chairs, Deans, etc.) exceeds the cap. For instance, if Professor X has an annual IBS of $200,000, and proposes to spend 50% of effort on a NIH project, then the amount of funding requested, based on the cap, should be $92,550 (50% of $185,100) instead of $100,000 which is *50% of the IBS.*
* ***Payroll*** – For administrator processing payroll, the key to managing the cap is to ensure that the effort amount to be charged on the grant is converted to payroll distribution for the position request (ePRF) and to verify that the maximum amount that will be paid each month from grant cost centers do not exceed the *monthly amount* of the cap. For instance, if Professor X has salary rate of $200,000, and proposes to spend 50% of effort on an NIH project, and 50% on another grant, then the payroll distribution (ePRF) should be the following:

|  |  |  |  |
| --- | --- | --- | --- |
| NIH Grant | = 50% Effort | = $95,550 | = 45% ($95,550 / $200,000) payroll distribution |
| Other Grant | = 50% Effort | =$100,000 | = 50% ($100,000 / $200,000) payroll distribution |
| Non-Grant | = 0% Effort | =$7,450 | = 5% ($7,450 / $200,000) payroll distribution |

* ***Effort Certification*** – For the effort pre-reviewers or DBAs, when the individual’s IBS is over the cap **AND** any portion of the direct salary posts to a DHHS award, the effort percentage on the DHHS award must be at least equal to the direct salary amount divided by the cap amount for that period. For instance, if Professor X proposes to spend 50% of effort on an NIH project, and 50% on another grant during the summer (June through August) and is paid three months’ salary at the academic salary rate of $22,222.00 ($200,000/9), then the effort certification should be the following:

|  |  |  |
| --- | --- | --- |
| ***Project*** | ***Effort*** | ***Salary*** |
| NIH | 50% | 23,137.50 |
| Other Grant | 50% | 33,333.33 |
| Non-Grant | 0% | 10,195.83 |
| *June July August Salary* | | 66,666.67 |

**Detail Payroll Distribution for this Effort Reporting Period**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| ***Month*** | ***Fund source*** | ***Monthly Cap*** | ***Effort %*** | ***Payroll amount*** | ***Payroll (ePRF) Dist %*** |
| June | NIH | 15,425.00 | 50% | 7,712.50 | 35% |
| June | Non-Grant | 22,222.22 | 0% | 3,398.61 | 15% |
| June | Other Grant | 22,222.22 | 50% | 11,111.11 | 50% |
|  |  |  |  |  |  |
| July | NIH | 15,425.00 | 50% | 7,712.50 | 35% |
| July | Non-Grant | 22,222.22 | 0% | 3,398.61 | 15% |
| July | Other Grant | 22,222.22 | 50% | 11,111.11 | 50% |
|  |  |  |  |  |  |
| August | NIH | 15,425.00 | 50% | 7,712.50 | 35% |
| August | Non-Grant | 22,222.22 | 0% | 3,398.61 | 15% |
| August | Other Grant | 22,222.22 | 50% | 11,111.11 | 50% |