



Most Common FAR Unallowable Costs

The following table identifies some of the most common unallowable costs. Unallowable costs are expressly identified as unallowable, and these costs cannot be included in cost estimates or contract cost reimbursements. For a complete list of unallowable cost, visit FAR 31.205.

1. Public relations and advertising costs: the only allowable public relations and advertising costs are ones that are “specifically required by the contract or that arise from requirements of Government Contracts.”
2. Bad debts, including actual or estimated losses arising from uncollectible accounts receivable due from customers and other claims, and any directly associated costs such as collection costs, and legal costs are unallowable.
3. Contingencies: Possible future events or conditions that result in increased costs are unallowable
4. Contributions or donations, including cash, property and services, regardless of recipient, are unallowable, except as provided in [31.205-1\(e\)\(3\)](#).
5. Cost of money: Actual interest cost in lieu of the calculated imputed cost of money is unallowable
6. Depreciation costs that would significantly reduce the book value of a tangible capital asset below its residual value
7. Employee Morale, Health, Welfare, Dormitory and Foodservice: gifts, recreation except for the costs of employees’ participation in company sponsored sports teams or employee organizations design to improve loyalty, teamwork or fitness.
8. Costs of amusements, diversions, social activities[Entertainment] or any directly associated costs such as tickets to show or events, or meals and transportation to such events are unallowable.
9. Costs of Fines and Penalties from failure to comply with federal, state or local laws and regulations
10. Incurred costs from maintaining satisfactory labor relations between contractor and employees
11. Lobbying and Political Activity: costs associated with lobbying, influencing or supporting any \political party or activity are unallowable.
12. Losses on other Contracts: An excess of costs over income under any other contract (including the contractor’s contributed portion under cost-sharing contracts) is unallowable.
13. Organization Costs: with the exception of activities intended to provide compensation for employees, all organizational expenditures in connection with (1) planning or executing the organization or reorganization of the corporate structure of a business, including mergers and acquisitions, (2) resisting or planning to resist the reorganization of the corporate structure of a business or a change in the controlling interest in the ownership of a business, and (3) raising capital (net worth plus long-term liabilities), are unallowable.
14. Patent Costs, preparation of invention disclosures and filing and prosecution of a US Patent are all unallowable costs.
15. Pre-Contract Costs: costs incurred before the effective date of the contract directly pursuant to the negotiation and in anticipation of the contract award when such incurrence is necessary to comply with the proposed contract delivery schedule. These costs are allowable to the extent that they would have been allowable if incurred after the date of the contract
16. Recruitment Costs: help wanted/recruitment advertising are unallowable if they do not describe specific positions in detail, or if they include material that is not relevant to recruitment purposes, such as advertising/product descriptions.
17. Relocation Costs: costs such as loss on the sale of one’s home or things like realtor’s fees and



commissions,, insurance costs etc. are unallowable. For a more specific list, see FAR 31.205-35 Section c.

18. Termination Costs: any costs continuing after the effective date of the termination due to the negligent or willful failure of the contractor to discontinue the costs shall be unallowable.
19. Costs related to Legal and Other Proceedings: Costs incurred in connection with any proceeding brought by a Federal, State, local, or foreign government for violation of, or a failure to comply with, law or regulation by the contractor (including its agents or employees), or costs incurred in connection with any proceeding brought by a third party in the name of the United States under the False Claims Act, which result in a crimina or civil preceeding, or a conviction, are unallowable.
20. Goodwill: Any costs for amortization, expensing, write-off, or write-down of goodwill (however represented) are unallowable.
21. Executive Lobbying Costs: Costs incurred in attempting to improperly influence (see FAR 3.401), either directly or indirectly, an employee or officer of the executive branch of the Federal Government to give consideration or to act regarding a regulatory or contract matter are unallowable.
22. Alcoholic Beverages

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