

231.205-18 Independent research and development and bid and proposal costs.

(a) *Definitions.* As used in this section—

“Covered contract” means a DoD prime contract for an amount exceeding the simplified acquisition threshold, except for a fixed-price contract without cost incentives. The term also includes a subcontract for an amount exceeding the simplified acquisition threshold, except for a fixed-price subcontract without cost incentives under such a prime contract.

“Covered segment” means a product division of the contractor that allocated more than \$1,100,000 in independent research and development (IR&D) costs and bid and proposal (B&P) costs to covered contracts during the preceding fiscal year. In the case of a contractor that has no product divisions, the term means that contractor as a whole. A product division of the contractor that allocated less than \$1,100,000 in IR&D costs and B&P costs to covered contracts during the preceding fiscal year is not subject to the limitations in paragraph (c) of this section.

“Major contractor” means any contractor whose covered segments allocated a total of more than \$11 million in IR&D costs and B&P costs to covered contracts during the preceding fiscal year. For purposes of calculating the dollar threshold amounts to determine whether a contractor meets the definition of “major contractor,” do not include contractor segments allocating less than \$1,100,000 of IR&D and B&P costs to covered contracts during the preceding fiscal year.

(c) *Allowability.*

(i) Departments/agencies shall not supplement this regulation in any way that limits IR&D cost allowability and B&P cost allowability.

(ii) See 225.7303-2 (c) for allowability provisions affecting foreign military sale contracts.

(iii)(A) For IR&D costs major contractors incurred on covered contracts to be allowable—

(1) The contractor is required to report IR&D projects generating the IR&D costs to the Defense Technical Information Center (DTIC) using the DTIC’s online input form and instructions at <https://defenseinnovationmarketplace.dtic.mil/industry-portal/>; and

(2) The contractor is required to update its DTIC inputs at least annually, no later than 3 months after the end of the contractor’s fiscal year, and when the project is completed.

(B) The amount of IR&D costs allowable under DoD contracts shall not exceed the lesser of—

(1) Such contracts’ allocable share of total incurred IR&D costs; or

(2) The total amount of incurred IR&D costs that the chief executive officer of the contractor has determined will advance the needs of DoD for future technology and advanced capability as DoD describes such needs in communications referenced at 242.771-3(c)(1)(i).

(C) Contractors that are not major contractors are encouraged to use the DTIC online input form and

instructions at <https://defenseinnovationmarketplace.dtic.mil/industry-portal/> to report IR&D projects in order to provide DoD with visibility into the technical content of the contractors' IR&D projects.

(iv) Contractors are required to report incurred IR&D costs separately from indirect costs.

(v) Contractors are required to report incurred B&P costs separately from other indirect costs.

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