

out as an Effective Date of 2021 Amendment note preceding section 3001 of this title.

**CHAPTER 273—ALLOWABLE COSTS**

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**Editorial Notes**

**PRIOR PROVISIONS**

A prior chapter 273 “ALLOWABLE COSTS”, as added by Pub. L. 115-232, div. A, title VIII, §801(a), Aug. 13, 2018, 132 Stat. 1828, and consisting of reserved section 3741, was repealed by Pub. L. 116-283, div. A, title XVIII, §1832(a), Jan. 1, 2021, 134 Stat. 4217.

**SUBCHAPTER I—GENERAL**

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**§ 3741. Definitions**

In this subchapter:

(1) **COMPENSATION.**—The term “compensation”, for a year, means the total amount of wages, salary, bonuses and deferred compensation for the year, whether paid, earned, or otherwise accruing, as recorded in an employer’s cost accounting records for the year.

(2) **COVERED CONTRACT.**—The term “covered contract” means a contract for an amount in excess of \$500,000 that is entered into by the head of an agency, except that such term does not include a fixed-price contract without cost incentives or any firm fixed-price contract for the purchase of commercial products or commercial services.

(3) **FISCAL YEAR.**—The term “fiscal year” means a fiscal year established by a contractor for accounting purposes.

(4) **HEAD OF THE AGENCY.**—The term “head of the agency” or “agency head” does not include the Secretary of a military department.

(5) **AGENCY.**—The term “agency” means the Department of Defense, the Coast Guard, and the National Aeronautics and Space Administration.

(Added and amended Pub. L. 116-283, div. A, title XVIII, §1832(a), (b)(1)–(3), Jan. 1, 2021, 134 Stat. 4218.)

**Editorial Notes**

**CODIFICATION**

The text of pars. (1)(A), (2)–(4), and (6) of subsec. (l) of section 2324 of this title, which were transferred to this section and amended by Pub. L. 116-283, §1832(b)(1)–(3), was based on Pub. L. 103-355, title II, §2101(d), Oct. 13, 1994, 108 Stat. 3308; Pub. L. 105-85, div. A, title VIII, §808(a)(2), Nov. 18, 1997, 111 Stat. 1836; Pub. L. 115-232, div. A, title VIII, §836(c)(9), Aug. 13, 2018, 132 Stat. 1866.

**PRIOR PROVISIONS**

A prior section 3741 was renumbered section 7271 of this title.

**AMENDMENTS**

2021—Pub. L. 116-283, §1832(b)(1)–(3), redesignated pars. (4), (1)(A), (6), (2), and (3) of section 2324(l) of this title as pars. (1) to (5), respectively, of this section and inserted headings.

**Statutory Notes and Related Subsidiaries**

**EFFECTIVE DATE**

Section and amendment by Pub. L. 116-283 effective Jan. 1, 2022, with additional provisions for delayed implementation and applicability of existing law, see section 1801(d) of Pub. L. 116-283, set out as an Effective Date of 2021 Amendment note preceding section 3001 of this title.

**§ 3742. Adjustment of threshold amount of covered contract**

Effective on October 1 of each year that is divisible by five, the amount set forth in section 3741(2) of this title shall be adjusted in accordance with section 1908 of title 41.

(Added and amended Pub. L. 116-283, div. A, title XVIII, §1832(a), (b)(4), Jan. 1, 2021, 134 Stat. 4218, 4219.)

**Editorial Notes**

**CODIFICATION**

The text of par. (1)(B) of subsec. (l) of section 2324 of this title, which was transferred to this section and amended by Pub. L. 116-283, §1832(b)(4), was based on Pub. L. 103-355, title II, §2101(d), Oct. 13, 1994, 108 Stat. 3308; Pub. L. 115-91, div. A, title VIII, §811(e), Dec. 12, 2017, 131 Stat. 1460.

**PRIOR PROVISIONS**

A prior section 3742 was renumbered section 7272 of this title.

**AMENDMENTS**

2021—Pub. L. 116-283, §1832(b)(4), transferred subpar. (B) of section 2324(l)(1) of this title to this section, struck out subpar. (B) designation at beginning, and substituted “section 3741(2) of this title” for “subparagraph (A)”.

**Statutory Notes and Related Subsidiaries**

**EFFECTIVE DATE**

Section and amendment by Pub. L. 116-283 effective Jan. 1, 2022, with additional provisions for delayed implementation and applicability of existing law, see section 1801(d) of Pub. L. 116-283, set out as an Effective Date of 2021 Amendment note preceding section 3001 of this title.

**§ 3743. Effect of submission of unallowable costs**

(a) **INDIRECT COST THAT VIOLATES A FAR COST PRINCIPLE.**—The head of an agency shall require that a covered contract provide that if the contractor submits to the agency a proposal for settlement of indirect costs incurred by the contractor for any period after such costs have been accrued and if that proposal includes the submission of a cost which is unallowable because the cost violates a cost principle in the Federal Acquisition Regulation or applicable agency supplement to the Federal Acquisition Regulation, the cost shall be disallowed.