

COMMON CONTROL RENT EXPENSE POLICY

Reference: 48 CFR Chapter 1, Subpart 31.205-36

If the firm incurs rental costs through the rental of a facility from a related party under common control, we follow the FAR guidance. Common control is determined to exist when the combined direct or indirect ownership of individual shareholders, partners or owners (or immediate family) common to each entity equals 50% or more. According to 48 CFR Chapter 1, Subpart 31.205-36(b)(3):

“Charges in the nature of rent for property between any divisions, subsidiaries, or organizations under common control, are allowable to the extent that they do not exceed the normal costs of ownership, such as depreciation, taxes, insurance, facilities capital cost of money, and maintenance (excluding interest or other unallowable costs pursuant to Part 31), provided that no part of such costs shall duplicate any other allowed cost.”

Allowable rental charges between any divisions, subsidiaries, or organizations under common control will be limited to the actual cost of ownership.

If 50% or more of the building is owned by a partner or partners (or immediate family), we will obtain each individual's tax records. From the returns, we will allow the amounts claimed on Schedule E, Supplemental Income and Loss, for the above items. If the partner(s) do not provide the returns, we will disallow the entire rent amount.