DEFENSE LOGISTICS AGENCY
DEFENSE LOGISTICS SUPPORT COMMAND
8725 JOHN J. KINGMAN ROAD, SUITE 2533
FORT BELVOIR, VIRGINIA 22060-6221

IN REPLY REFER TO DLSC-P
PROCLTR 98-08

APR 20 1998

MEMORANDUM FOR PROCLTR DISTRIBUTION LIST

SUBJECT: Limitation on Allowability of Compensation for Certain Contractor Personnel

The attached memorandum dated March 26, 1998 from the Director, Defense Procurement, contains amended Part 231 of the Defense Federal Acquisition Regulation Supplement (DFARS) to remove certain limitations on individual compensation costs. Federal Acquisition Regulation 31.205-6(p) as revised on February 23, 1998, by Federal Acquisition Circular 97-04 (63 FR 9066), contains the sole statutory limitation on allowable senior executive compensation costs incurred after January 1, 1998, under new or previously existing contracts.

This PROCLTR is effective immediately, and will expire when the DFARS rule is included in a future Defense Acquisition Circular, but in any event not later than 1 year from the effective date.

THOMAS D. RAY
Acting Executive Director
(Procurement)

Attachment

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ACQUISITION AND TECHNOLOGY

OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON
WASHINGTON, DC 20301-3000

March 26, 1998

113530

DP(DAR)

In reply refer to
DFARS Case: 97-D320
D. L. 98-005

MEMORANDUM FOR DIRECTORS OF DEFENSE AGENCIES
DEPUTY FOR ACQUISITION AND BUSINESS MANAGEMENT, ASN(RD&A)/ABM
DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE (CONTRACTING), SAF/AQC
DEPUTY ASSISTANT SECRETARY OF THE ARMY (PROCUREMENT)
DEPUTY DIRECTOR (ACQUISITION), DEFENSE LOGISTICS AGENCY

SUBJECT: Limitation on Allowability of Compensation for Certain Contractor Personnel

We have amended Part 231 of the Defense Federal Acquisition Regulation Supplement (DFARS) to remove certain limitations on individual compensation costs. Federal Acquisition Regulation 31.205-6(p), as revised on February 23, 1998, by Federal Acquisition Circular 97-04 (63 FR 9066), contains the sole statutory limitation on allowable senior executive compensation costs incurred after January 1, 1998, under new or previously existing contracts.

This final DFARS rule is effective immediately, and will be included in a future Defense Acquisition Circular.

Eleanor Spector

Eleanor R. Spector
Director, Defense Procurement

Attachment

cc: DSMC, Ft. Belvoir

DFARS CASE 97-D320
Limitation on Allowability of Compensation for Certain Contractor Personnel

Deletions are indicated by ~~strikethrough~~.

SUBPART 231.2—CONTRACTS WITH COMMERCIAL ORGANIZATIONS

* * * * *

231.205-6 Compensation for personal services.

~~(a)(2)(i)(A) Costs for individual compensation in excess of $250,000 per year are unallowable under DoD contracts that are awarded after April 15, 1995, and are funded by fiscal year 1995 appropriations (Section 8117 of Pub. L. 103-335).~~

~~(B) Costs for individual compensation in excess of $200,000 per year are unallowable under DoD contracts that are awarded after July 1, 1996, and are funded by fiscal year 1996 appropriations (Section 8086 of Pub. L. 104-61).~~

~~(ii) Costs for individual compensation in excess of $250,000 per year are unallowable under new DoD contracts funded by fiscal year 1997 appropriations (Section 8071 of Pub. L. 104-208). For purposes of this limitation, the term "compensation" means—~~

~~(A) The total amount of taxable wages paid to the employee for the year concerned; plus~~

~~(B) The total amount of elective deferred compensation earned by the employee in the year concerned.~~

* * * * *

SUBPART 231.3—CONTRACTS WITH EDUCATIONAL INSTITUTIONS

231.303 Requirements.

* * * * *

~~(3) The limitations on allowable individual compensation at 231.205-6(a)(2)(i) and (ii) also apply to this subpart.~~

(**4**[**3**]) Under 10 U.S.C. 2249, the costs cited in 231.205-22(a) are unallowable.

SUBPART 231.6—CONTRACTS WITH STATE, LOCAL, AND FEDERALLY RECOGNIZED INDIAN TRIBAL GOVERNMENTS

231.603 Requirements.

~~(1) The limitations on allowable individual compensation at~~

~~231.205-6(a)(2)(i) and (ii) also apply to this subpart.~~

~~(2)~~ Under 10 U.S.C. 2249, the costs cited in 231.205-22(a) are unallowable.

SUBPART 231.7—CONTRACTS WITH NONPROFIT ORGANIZATIONS

231.703 Requirements.

~~(1) The limitations on allowable individual compensation at 231.205-6(a)(2)(i) and (ii) also apply to this subpart.~~

~~(2)~~ Under 10 U.S.C. 2249, the costs cited in 231.205-22(a) are unallowable.