**Section 356.60 Disallowable Costs and Reduced Reimbursement**

Certain costs shall not be considered by the Department for reimbursement. Cost standards may be applied to costs claimed to yield reasonable costs. Disallowable costs shall include:

a) expenses resulting from transactions with related parties and/or parent organizations which are greater than the expense to the related party;

b) non-straightline depreciation;

c) research items except as approved by the Department for program evaluation;

d) bad debts;

e) special benefits to owners, including owner and key-man life insurance;

f) compensation to non-working owners and officers;

g) discounts, rebates, allowances, and charity grants offered by the agency;

h) entertainment expenses;

i) fund-raising;

j) revenue producing expenses;

k) legal fees for litigation with governmental agencies;

l) non-program related activities;

m) membership to national, state, or parent organizations;

n) awards and grants to individuals;

o) fines and penalties;

p) mortgage and loan principal payments;

q) contingency funds;

r) losses on other grants and contracts;

s) expenses relating to the development of bids or proposals;

t) housing of non-clients (does not prohibit the expense of live-in staff);

u) severance pay;

v) federal and state income tax;

w) sales tax; and

x) other costs not reasonably related to services.

(Source: Renumbered from Section 356.6 at 20 Ill. Reg. 14390, effective November 1, 1996)