52.216-16 Incentive Price Revision-Firm Target.

As prescribed in 16.406(a), insert the following clause:

Incentive Price Revision-Firm Target (Jan 2022)

(a) *General*. The *supplies* or services identified in the Schedule as Items _____ *[Contracting Officer insert Schedule line item numbers]* are subject to price revision in accordance with this clause; provided, that in no event *shall* the total final price of these items exceed the ceiling price of _____ dollars ($_____). Any *supplies* or services that are to be (1) ordered separately under, or otherwise added to, this

contract and (2) subject to price revision in accordance with the terms of this clause *shall* be identified as such in a modification to this contract.

(b) *Definition*. "Costs," as used in this clause, means allowable costs in accordance with part 31 of the Federal *Acquisition* Regulation (FAR) in effect on the date of this contract.

(c) Data submission.

(1) Within _____ *[Contracting Officer insert number of days]* days after the end of the month in which the Contractor has delivered the last unit of *supplies* and completed the services specified by item number in paragraph (a) of this clause, the Contractor *shall* submit in the format of Table 15-1, FAR 15.408, or in any other form on which the parties agree-

(i) A detailed statement of all costs incurred up to the end of that month in performing all work under the items;

(ii) An estimate of costs of further performance, if any, that *may* be necessary to complete performance of all work under the items;

(iii) A list of all residual inventory and an estimate of its value; and

(iv) Any other relevant data that the *Contracting Officer may* reasonably require.

(2) If the Contractor fails to submit the data required by paragraph (c)(1) of this clause within the time specified and it is later determined that the Government has overpaid the Contractor, the Contractor *shall* repay the excess to the Government immediately. Unless repaid within 30 days after the end of the data submittal period, the amount of the excess *shall* bear interest, computed from the date the data were due to the date of repayment, at the rate established in accordance with the Interest clause.

(d) *Price revision*. Upon the *Contracting Officer*'s receipt of the data required by paragraph (c) of this clause, the *Contracting Officer* and the Contractor *shall* promptly establish the total final price of the items specified in (a) of this clause by applying to final negotiated cost an adjustment for profit or loss, as follows:

(1) On the basis of the information required by paragraph (c) of this clause, together with any other

pertinent information, the parties *shall* negotiate the total final cost incurred or to be incurred for *supplies* delivered (or services performed) and accepted by the Government and which are subject to price revision under this clause.

(2) The total final price *shall* be established by applying to the total final negotiated cost an adjustment for profit or loss, as follows:

(i) If the total final negotiated cost is equal to the total target cost, the adjustment is the total target profit.

(ii) If the total final negotiated cost is greater than the total target cost, the adjustment is the total target profit, less _____ *[Contracting Officer insert percent]* percent of the amount by which the total final negotiated cost exceeds the total target cost.

(iii) If the final negotiated cost is less than the total target cost, the adjustment is the total target profit plus _____ *[Contracting Officer insert percent]* percent of the amount by which the total final negotiated cost is less than the total target cost.

(e) *Contract modification*. The total final price of the items specified in paragraph (a) of this clause *shall* be evidenced by a modification to this contract, signed by the Contractor and the *Contracting Officer*. This price *shall* not be subject to revision, notwithstanding any changes in the cost of performing the contract, except to the extent that-

(1) The parties *may* agree *in writing*, before the determination of total final price, to exclude specific elements of cost from this price and to a procedure for subsequent disposition of those elements; and

(2) Adjustments or credits are explicitly permitted or required by this or any other clause in this contract.

(f) Adjusting billing prices.

(1) Pending execution of the *contract modification* (see paragraph (e) of this clause), the Contractor *shall* submit *invoices* or vouchers in accordance with billing prices as provided in this paragraph. The billing prices *shall* be the target prices shown in this contract.

(2) If at any time it appears from information provided by the contractor under paragraph (g)(2) of this clause that the then-current billing prices will be substantially greater than the estimated final prices, the parties *shall* negotiate a reduction in the billing prices. Similarly, the parties *may* negotiate an increase in billing prices by any or all of the difference between the target prices and the ceiling price, upon the Contractor’s submission of factual data showing that final cost under this contract will be substantially greater than the target cost.

(3) Any billing price adjustment *shall* be reflected in a *contract modification* and *shall* not affect the determination of the total final price under paragraph (d) of this clause. After the *contract modification* establishing the total final price is executed, the total amount paid or to be paid on all *invoices* or vouchers *shall* be adjusted to reflect the total final price, and any resulting additional payments, refunds, or credits *shall* be made promptly.

(g) *Quarterly limitation on payments statement*. This paragraph (g) *shall* apply until final price revision under this contract has been completed.

(1) Within 45 days after the end of each quarter of the Contractor's fiscal year in which a delivery is first made (or services are first performed) and accepted by the Government under this contract, and for each quarter thereafter, the Contractor *shall* submit to the *contract administration office* (with a copy to the *contracting office* and the cognizant contract auditor) a statement, cumulative from the beginning of the contract, showing-

(i) The total contract price of all *supplies* delivered (or services performed) and accepted by the Government and for which final prices have been established;

(ii) The total costs (estimated to the extent necessary) reasonably incurred for, and properly allocable solely to, the *supplies* delivered (or services performed) and accepted by the Government and for which final prices have not been established;

(iii) The portion of the total target profit (used in establishing the initial contract price or agreed to for the purpose of this paragraph (g)) that is in direct proportion to the *supplies* delivered (or services performed) and accepted by the Government and for which final prices have not been established-increased or decreased in accordance with paragraph (d)(2) of this clause, when the amount stated under subdivision (g)(1)(ii) of this clause differs from the aggregate target costs of the *supplies* or services; and

(iv) The total amount of all *invoices* or vouchers for *supplies* delivered (or services performed) and accepted by the Government (including amounts applied or to be applied to liquidate progress payments).

(2) Notwithstanding any provision of this contract authorizing greater payments, if on any quarterly statement the amount under subdivision (g)(1)(iv) of this clause exceeds the sum due the Contractor, as computed in accordance with subdivisions (g)(1)(i), (ii), and (iii) of this clause, the Contractor *shall* immediately refund or credit to the Government the amount of this excess. The Contractor *may*, when appropriate, reduce this refund or credit by the amount of previous refunds or credits effected under this clause. If any portion of the excess has been applied to the liquidation of progress payments, then that portion *may*, instead of being refunded, be added to the unliquidated progress payment account consistent with the Progress Payments clause. The Contractor *shall* provide complete details to support any claimed reductions in refunds.

(3) If the Contractor fails to submit the quarterly statement within 45 days after the end of each quarter and it is later determined that the Government has overpaid the Contractor, the Contractor *shall* repay the excess to the Government immediately. Unless repaid within 30 days after the end of the statement submittal period, the amount of the excess *shall* bear interest, computed from the date the quarterly statement was due to the date of repayment, at the rate established in accordance with the Interest clause.

(h) *Subcontracts*. No subcontract placed under this contract *may* provide for payment on a cost-plus-a-percentage-of-cost basis.

(i) *Disagreements*. If the Contractor and the *Contracting Officer* fail to agree upon the total final price within 60 days (or within such other period as the *Contracting Officer may* specify) after the date on which the data required by paragraph (c) of this clause are to be submitted, the *Contracting Officer shall* promptly issue a decision in accordance with the Disputes clause.

(j) *Termination*. If this contract is terminated before the total final price is established, prices of *supplies* or services subject to price revision *shall* be established in accordance with this clause for (1) completed *supplies* and services accepted by the Government and (2) those *supplies* and services

not terminated under a *partial termination*. All other elements of the termination *shall* be resolved in accordance with other applicable clauses of this contract.

(k) *Equitable adjustment under other clauses*. If an equitable adjustment in the contract price is made under any other clause of this contract before the total final price is established, the adjustment *shall* be made in the total target cost and *may* be made in the maximum dollar limit on the total final price, the total target profit, or both. If the adjustment is made after the total final price is established, only the total final price *shall* be adjusted.

(l) *Exclusion from target price and total final price*. If any clause of this contract provides that the contract price does not or will not include an amount for a specific purpose, then neither any target price nor the total final price includes or will include any amount for that purpose.

(m) *Separate reimbursement*. If any clause of this contract expressly provides that the cost of performance of an obligation *shall* be at Government expense, that expense *shall* not be included in any target price or in the total final price, but *shall* be reimbursed separately.

(n) *Taxes*. As used in the Federal, State, and Local Taxes clause or in any other clause that provides for certain taxes or duties to be included in, or excluded from, the contract price, the term "contract price" includes the total target price or, if it has been established, the total final price. When any of these clauses requires that the contract price be increased or decreased as a result of changes in the obligation of the Contractor to pay or bear the burden of certain taxes or duties, the increase or decrease *shall* be made in the total target price or, if it has been established, in the total final price, so that it will not affect the Contractor’s profit or loss on this contract.

(End of clause)

Alternate I (Apr 1984). As prescribed in 16.406 (a), add the following paragraph (o) to the basic clause:

(o) *Provisioning and options*. Parts, other *supplies*, or services that are to be furnished under this contract on the basis of a provisioning document or Government *option shall* be subject to price revision in accordance with this clause. Any prices established for these parts, other *supplies*, or services under a provisioning document or Government *option shall* be treated as target prices. Target cost and profit covering these parts, other *supplies*, or services *may* be established separately, in the aggregate, or in any combination, as the parties *may* agree.

Parent topic: 52.216 [Reserved]