

PUBLICATION

New Louisiana Law Requires Public Entities to Pay Interest on Late Payments to Contractors

Authors: Mark Mercante, Nicholas Ray Pitre

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On May 30, 2018, Louisiana Governor John Bell Edwards signed into law Act No. 566 of the 2018 Regular Session, amending Louisiana Revised Statute Section 38:2191(B) effective August 1, 2018, to provide for interest on late payments by public entities. Under the amendment, a payment is considered late and interest begins to accrue 45 days following the public entity's receipt of a proper request for payment. Interest is set at 0.5 percent daily, not to exceed 15 percent. The amended statute will require contractors to distribute late interest payments among the contractor and subcontractors in proportion to the principal amount due within ten days of the contractor's receipt of an interest payment.

The text of the amendment is set forth below (bold and underlined words are additions to prior law; no words were deleted):

B. **(1)** Any public entity failing to make any progressive stage payment within forty-five days following receipt of a certified request for payment by the public entity without reasonable cause shall be liable for reasonable attorney fees and interest charged at one-half percent accumulated daily, not to exceed fifteen percent. Any public entity failing to make any final payments after formal final acceptance and within forty-five days following receipt of a clear lien certificate by the public entity shall be liable for reasonable attorney fees and interest charged at one-half percent accumulated daily, not to exceed fifteen percent.

(2) Any interest received by the contractor pursuant to Paragraph (1) of this Subsection shall be disbursed on a prorated basis among the contractor and subcontractors, each receiving a prorated portion based on the principal amount due within ten business days of receipt of the interest.

If you have any questions on this or other matters, please contact [Mark Mercante](#), [Nick Pitre](#), or any of the members of [Baker Donelson's Construction Group](#).