

AN ACT concerning construction contracts.

**Be it enacted by the People of the State of Illinois,
represented in the General Assembly:**

Section 1. Short title. This Act may be cited as the Contractor Prompt Payment Act.

Section 5. Definitions. In this Act:

(a) "Payment application" means, in accordance with the terms and definitions of the applicable contract, any invoice, bill or other request for periodic payment, final payment, payment of change order or request for release of retainage from the contractor to the owner.

(b) "Construction contract" means a contract or subcontract, entered into after the effective date of this Act, for the design, construction, alteration, improvement, or repair of Illinois real property, except for contracts that require the expenditure of public funds and contracts for the design, construction, alteration, improvement, or repair of single family residences or multiple family residences with 12 or fewer units in a single building.

(c) "Contractor" and "subcontractor" shall have the meanings ascribed to them by the Illinois Mechanics Lien Act and cases decided under that Act.

Section 10. Construction contracts. All construction contracts shall be deemed to provide the following:

(1) If a contractor has performed in accordance with the provisions of a construction contract and the payment application has been approved by the owner or the owner's agent, the owner shall pay the amount due to the contractor pursuant to the payment application not more than 15 calendar days after the approval. The payment application shall be deemed approved 25 days after the owner receives it unless the owner provides, before the end of the 25-day period, a written statement of the amount withheld and the reason for withholding payment. If the owner finds that a portion of the work not in accordance with the contract, payment may be withheld for the reasonable value of that portion only. Payment shall be made for any portion of the contract for which the work has been performed in accordance with the provisions of the contract. Instructions or notification from an owner to his or her lender or architect to process or pay a payment application does not constitute approval of the payment application under this Act.

(2) If a subcontractor has performed in accordance with the provisions of his or her contract with the contractor or subcontractor and the work has been accepted by the owner, the owner's agent, or the contractor, the contractor shall pay to his or her subcontractor and the subcontractor shall pay to his or her subcontractor, within 15 calendar days of the contractor's receipt from the owner or the subcontractor's

receipt from the contractor of each periodic payment, final payment, or receipt of retainage monies, the full amount received for the work of the subcontractor based on the work completed or the services rendered under the construction contract.

Section 15. Interest; suspension of performance.

(a) If a payment due pursuant to the provisions of this Act is not made in a timely manner, the delinquent party shall be liable for the amount of that payment, plus interest at a rate equal to 10% per annum.

(b) A contractor or subcontractor who is not paid as required by this Act may, after providing 7 calendar days' written notice to the party failing to make the required payment, suspend performance of a construction contract without penalty for breach of contract, until the payment required pursuant to this Act is made.

(c) The interest imposed by this Act shall not be duplicative of the interest charged under the Mechanics Lien Act.

Section 99. Effective date. This Act shall take effect upon becoming law.