

New Illinois Law Impacts Retainage for Contractors

SmithAmundsen Construction Alert
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The Illinois legislature recently passed **a law** modifying the Contractor Prompt Payment Act, impacting retainage on all private projects (except residential projects involving twelve units or less). The law sets the ceiling for retainage at 10%, and requires that retainage be reduced to no more than 5% once the project is 50% complete.

The new law is generally favorable for contractors and subcontractors from a cash flow perspective. However, it raises concern among developers and owners, who have been able to defeat the bill in earlier sessions. In light of the new law, all applicable construction contracts need to be reviewed and modified to ensure compliance.

Failing to comply with the new law can be costly—if a party fails to adhere to the new retainage requirements, the other party is entitled to suspend performance on the contract and collect 10% interest per annum on all outstanding amounts.

PROFESSIONALS

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