



pennsylvania
DEPARTMENT OF GENERAL SERVICES

Act 266 enables qualified small businesses to receive penalty interest on late payments owed to them by the State.

***Add to every invoice:
“[name of business] is a qualified small business concern as defined in 4 PA Code 2.32.”***

****Contractors are required to pay their subcontractors by the due dates written in the subcontracts or within 14 days after they receive payment from the State.***

Ensuring Timely Payments

Act 266 of 1982

Act 266 provides for the payment of interest penalties to qualified small business concerns when payments for property or services provided to Commonwealth agencies are not made by required payment dates.

The term ‘qualified small business concern’ means an independently owned and operated for-profit business concern employing one hundred or fewer employees.

To claim interest penalties, qualified small businesses must include this wording on every invoice submitted to the Commonwealth: “[name of business] is a qualified small business concern as defined in 4 PA Code 2.32.”

The ‘required payment date’ is:

- The date when payment is due under the terms of the contract; or
- Thirty days after receipt of a proper invoice if a payment date is not specified in the contract; or
- The net payment date stated on the invoice if later than the dates established in the above bulleted items.

The Act provides the Commonwealth a 15-day grace period after the required payment date.

Payments to subcontractors

The Commonwealth *Field Procurement Handbook* requires that contractors (and subcontractors who also subcontract to other companies) pay their subcontractors by the due dates established in the subcontract or within 14 days after the contractor or subcontractor receives a progress payment.

If a contractor fails to pay a subcontractor in a timely manner, interest penalties can be assessed, using the same methods used under Act 266 (see above).

Although these requirements provide some payment protection for subcontractors, it is important for subcontractors to understand that they will not be paid directly by the Commonwealth. The best protection for subcontractors is to insist, before a project begins, on a written and signed subcontract that specifies all payment arrangements and agreements made between the contractor and subcontractor.

This publication is provided by the
PA Bureau of Minority and Women Business Opportunities
401 North Street, Room 611, North Office Bldg, Harrisburg, PA 17120-0500
Email: gs-bmwbo@pa.gov
717-783-3119 or FAX: 717-787-7052
Philadelphia 215-965-1105 • Pittsburgh 412-442-5872