

Prompt Payment Processing

Objective

The Prompt Payment Law ([Minnesota Statute, Section 16A.124](#)) requires that state agencies pay each valid invoice within the vendor's early payment discount period, if any. If there is no early payment discount period, the invoice must be paid within **30 days** following the receipt of the invoice, merchandise, or service, whichever is later.

(Note: The following information was taken from [Policy 0803-01, Payment Requests, Preparation and Approval](#) refer to this policy for more information.)

Policy

1. Payment Scheduling

The MAPS procurement component will compute the scheduled payment date based on compliance with the prompt payment law or to take advantage of the early discount period. This date can be overridden by the agency. The prompt payment date is computed from the Invoice Received Date field and the Receipt of the Merchandise Date field. Payment processed through the MAPS accounting component should be scheduled for the date the vendor/client receives the payment. Agencies should enter payment vouchers as soon as possible, but no later than two business days before the scheduled payment date to ensure adequate time for warrant processing and mailing.

Payment vouchers will be selected for warrant and Electronic Fund Transfer production two business days prior to the scheduled payment date to ensure that the payment is received by the vendor on time.

2. Process Payments Promptly

The Prompt Payment Law ([Minnesota Statutes, Section 16A.124](#)) requires that the agency pays each valid invoice within the vendor's early payment-discount period, if any. If there is no early payment discount period, the invoice must be paid within **30 days** following the receipt of the invoice, merchandise, or service, whichever is later.

If an invoice is incorrect, the agency must notify the vendor within ten days of discovering the error. Upon receiving a corrected invoice, the agency must pay it within the time limitations outlined above. If the prompt payment date cannot be met because the invoice is contested (C), subject to audit prior to payment (A), subject to testing prior to payment (T), or the vendor failed to provide the necessary tax number (V), then the appropriate code should be entered in the Prompt Pay Reason Code field.

3. **Interest Charges**

If a vendor has not received payment on a valid invoice within 30 days, the vendor can bill the agency for interest at the rate of 1.5% per month or fraction thereof. The minimum interest charge on invoices of \$100 or more is \$10.00 per month. All interest penalties and collection costs must be paid from the agency's current operating budget.

Interest charges, if any, should NOT automatically be added to a late payment. The agency must wait for the vendor to submit an invoice for the interest. If the agency receives its invoice for interest on a late payment, it should be paid from object code 2M30 - an encumbrance is not required.

Note: Purchases from utility and telephone companies are exempt from the Prompt Payment Law. If late fee rates and terms of such companies were approved by and listed with the Public Utilities Commission by August 1, 1985, these rates and terms supersede those of the Prompt Payment Law. Interest charges for such companies will normally appear on the next billing cycle invoice.

See Also

[MAPS Operating Policy and Procedure 0803-01 - Payment Requests, Preparation and Approval](#)