

Louisiana's new prompt payment law puts project owners on the clock

By Dillon Lowe



A new Louisiana law taking effect Aug. 1 will impose firm payment deadlines on private construction projects and curtail the ability to negotiate around them.

[Act 822](#) rewrites the state's prompt payment law, creating new obligations for project owners while accelerating the timeline for contractors to pay subcontractors and suppliers.

Trippe Hawthorne, a partner in Kean Miller's construction practice, views the measure as the most consequential construction law enacted during the 2026 legislative session

because it marks a departure from Louisiana's traditional deference to agreements negotiated between sophisticated parties.

"The biggest thing this change in the prompt payment law does is remove that deference to what parties have agreed between themselves is appropriate for a particular project and apply a one-size-fits-all solution," Hawthorne tells *Daily Report*. "It may be a good thing in some circumstances, but in many others, it's going to cause lots of problems, lots of legal fees and lots of confusion."

WHAT THE LAW DOES

Under Act 822, a project owner generally must pay a contractor within 35 days of receiving a written request for payment for properly performed work or qualifying materials. Previously, Louisiana's prompt payment law focused primarily on payments from contractors to subcontractors and suppliers rather than payments from owners to contractors.

The new payment deadline cannot be waived by contract. Hawthorne says that distinction is particularly significant for large commercial and industrial projects, where payment procedures have traditionally been subject to extensive negotiations.

The law also shortens the deadline for contractors to pass payments downstream. Contractors that receive payment from an owner must pay the appropriate amounts to their subcontractors and suppliers within seven days, down from 14 days under the previous law. Subcontractors face the same seven-day deadline when paying their own subcontractors and suppliers.

When a good faith dispute exists, the party withholding payment must still pay any undisputed amount by the applicable deadline.

Late payments are subject to a penalty of 1.5% per month, beginning the day after payment is due. Unlike the prior penalty imposed on contractors for downstream payments of 0.5% per day, the new penalty has no 15% ceiling. The prevailing party in a lawsuit may also recover court costs and reasonable attorney fees.

On paper, the law should benefit subcontractors and suppliers, who stand to receive their money sooner. But the effects are less clear-cut when it comes to contractors and owners. Owners face an entirely new statutory deadline, while contractors gain leverage upstream but face tighter deadlines downstream.

“General contractors will be able to play offense and defense here,” Hawthorne says. “They’ll be able to look to the owner and get payment probably quicker than they would under the negotiated contracts—and in certain circumstances be able to collect the penalty that’s called for under the statute—but their time to pay their downstream subcontractors and suppliers has been compressed.”

The law does contain exemptions for certain activities—oil and gas exploration and production, for example—but Hawthorne says their scope may be difficult to determine. For now, Kean Miller is advising owners not to assume an exemption applies unless the answer is abundantly clear.

HOW TO PREPARE

Project owners should review the internal systems they use to approve and distribute payments to contractors to ensure they can meet the 35-day statutory window, Hawthorne says. They should also maintain evidence of making a timely payment in case a contractor attempts to seek penalties for an allegedly late payment.

Similarly, contractors should ensure they can make payments to subcontractors and suppliers within the seven-day statutory window and maintain evidence of the timeliness of their payments.

Subcontractors, meanwhile, should simply familiarize themselves with their new rights. Hawthorne believes the law is unlikely to apply retroactively to contracts executed before Aug. 1. Questions could arise when companies issue new work orders under old master service agreements, but he says that issue is unlikely to affect most businesses.

Whether the law ultimately produces faster payments or more litigation remains to be seen.

“It may be some of both,” Hawthorne says.

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