

573.12 Payments and retention from payments on contracts.**1. Retention.**

a. Payments made under contracts for the construction of public improvements, unless provided otherwise by law, shall be made on the basis of monthly estimates of labor performed and material delivered, as determined by the project architect or engineer. The public corporation shall retain from each monthly payment not more than three percent of that amount that is determined to be due according to the estimate of the architect or engineer.

b. The contractor may retain from each payment to a subcontractor not more than the lesser of three percent or the amount specified in the contract between the contractor and the subcontractor.

2. Prompt payment.

a. (1) Interest shall be paid to the contractor on any progress payment that is approved as payable by the public corporation's project architect or engineer and remains unpaid for a period of fourteen days after receipt of the payment request at the place, or by the person, designated in the contract, or by the public corporation to first receive the request, or for a time period greater than fourteen days, unless a time period greater than fourteen days is specified in the contract documents, not to exceed thirty days, to afford the public corporation a reasonable opportunity to inspect the work and to determine the adequacy of the contractor's performance under the contract.

(2) Interest shall accrue during the period commencing the day after the expiration of the period defined in subparagraph (1) and ending on the date of payment. The rate of interest shall be determined as set forth in [section 573.14](#).

b. (1) A progress payment or final payment to a subcontractor for satisfactory performance of the subcontractor's work shall be made no later than one of the following, as applicable:

(a) Seven days after the contractor receives payment for that subcontractor's work.

(b) A reasonable time after the contractor could have received payment for the subcontractor's work, if the reason for nonpayment is not the subcontractor's fault.

(2) A contractor's acceptance of payment for one subcontractor's work is not a waiver of claims, and does not prejudice the rights of the contractor, as to any other claim related to the contract or project.

3. Interest payments.

a. If the contractor receives an interest payment under [section 573.14](#), the contractor shall pay the subcontractor a share of the interest payment proportional to the payment for that subcontractor's work.

b. If a public corporation other than a school corporation, county, or city retains funds, the interest earned on those funds shall be payable at the time of final payment on the contract in accordance with the schedule and exemptions specified by the public corporation in its administrative rules. The rate of interest shall be determined by the period of time during which interest accrues, and shall be the same as the rate of interest that is in effect under [section 12C.6](#) as of the day interest begins to accrue.

[S13, §1989-a57; C24, 27, 31, 35, 39, §10310; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §573.12; [81 Acts, ch 127, §3](#)]

[87 Acts, ch 155, §1](#); [90 Acts, ch 1229, §1, 2](#); [91 Acts, ch 148, §1](#); [2005 Acts, ch 179, §158](#); [2013 Acts, ch 30, §261](#); [2025 Acts, ch 29, §1](#)

Referred to in [§573.13](#), [573.14](#)

Subsection 1, paragraphs a and b amended