

CHAPTER 27
INTEREST ON RETAINED FUNDS

Chapter rescission date pursuant to Iowa Code section 17A.7: 6/18/30

761—27.1(573) Interest on retained funds.

27.1(1) Scope. This rule implements Iowa Code section 573.12 regarding payment to a contractor of interest earned on retained funds. This rule does not address payment of interest under Iowa Code section 573.14.

27.1(2) General requirements.

a. Interest is paid on retained funds of a contract only if the accrued interest on those funds is at least \$25. This dollar threshold reflects the cost to the department of processing an interest payment on retained funds.

b. Interest is not to be paid on retained funds of a contract declared in default.

27.1(3) Procedures.

a. Interest begins to accrue on retained funds on the date the first progress payment is issued. An interest rate is established on this date in accordance with Iowa Code section 12C.6. This interest rate applies for the duration of the contract.

b. In general, interest continues to accrue on retained funds until the date the final payment is issued.

(1) Final payment is payment of retained funds less assessed liquidated damages, if applicable.

(2) The final payment and the interest payment are paid by separate warrants. The interest payment is issued within two weeks after issuance of final payment.

c. Notwithstanding paragraph 27.1(3) “*b.*,” interest is to cease to accrue on retained funds:

(1) Upon the expiration of 90 days following field acceptance of a project if the contractor has failed to submit to the department the documentation necessary for final payment as specified in the contract provisions.

(2) Upon payment of retained funds via a retention release voucher. A retention release voucher releases the retained funds and the interest accrued on those funds less assessed liquidated damages, twice the amount of claims on file, and the amount of possible overpayments or adjustments to contract items and change orders. A retention release voucher may be paid at any time after 30 days have expired following completion and final acceptance of the project if the contractor has submitted the necessary documentation.

(3) Upon the court’s obtaining jurisdiction of the retained funds pursuant to Iowa Code section 573.16. Retained funds turned over to the court will include the interest accrued on those funds to the date the action was filed if the interest has not been paid to the contractor.

This rule is intended to implement Iowa Code sections 307.12(1) “*j.*” and 573.12.

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