**Why do we pay late payment interest?**

In accordance with Texas Government Code, Chapters [2155](http://www.statutes.legis.state.tx.us/Docs/GV/htm/GV.2155.htm) and [2251](http://www.statutes.legis.state.tx.us/Docs/GV/htm/GV.2251.htm) (prompt payment law), interest will be automatically calculated and paid to vendors of qualifying goods and services who receive late payments from the University of Houston. However, interest calculated at $5.00 or less on local fund payments will not be paid to the vendor per Texas Government Code 2251.026j.

**When does late payment interest start to accrue?**

Voucher payments are due on “Net Due Date”, which is 30 calendar days after the later of (1) the date an invoice is received (Invoice Receipt Date), (2) the date goods are received (Goods Receipt Date), and (3) the date services are completed (Goods Receipt Date). Accordingly, voucher payments will start accruing late payment interest the day after the “Net Due Date”.

Note: Payments under contracts for legal services is overdue on the 46th day after the date the agency receives the invoice for the legal services.

**How is it calculated?**

The finance system automatically calculate and pay late payment interest. The rate is set by the Texas Comptroller’s Office and posted on their website: <https://fmx.cpa.texas.gov/fm/pubs/purchase/prompt_pay/index.php?section=overview&page=rate>

**What do we need to do with late payment interest charged to fund 5 cost centers?**

Late payment interest for fund 5 cost centers will be recorded with liability account 2xxxx. The department is required to run the 1074 report, identify the charges, and move them to the appropriate cost center(s) on a monthly basis. The department is also responsible for making sure that the balance is cleared at each fiscal year end.

**Can late payment interest be refused?**

Late payment interest should not be refused except for the following reason. Proper supporting document is required. AP may remove a reason code if the reason is not appropriate or not supported by proper documents.

|  |  |
| --- | --- |
| Reason Code | Required Document |
| N-NI - No invoice received; causes no interest | Email and eventually form |
| N-FC: federal contract prevented timely payment; causes no interest | Copy of contract with language highlighted and explanation |
| N-MI: Mailing instructions were not followed; causes no interest | Email |
| N-DP: Disputed Payment correctly, causes no interest | Email and eventually Disputed payment form |
| N-GE: Comptroller exemption; causes no interest | Email, for legal services, accrual starts on day 46 |
| N-AI: Automation Issue; causes no interest | Selected by AP only, if system issue prevented payment. AP adds comments. |
| N-ER: Employee and applicable reimbursements, causes no interest | N/A |
| N-AA: State Agency Payment | N/A |
| N-AP: Advance Payment | N/A |
| N-DR: Returned Direct Deposit | N/A |
| N-WH: Vendor was on warrant hold | N/A |

**What if the vendor does not want late payment interest?**

You will still need to process the payment with late payment interest. Then, you can ask the vendor to deduct the amount from the next invoice, issue a credit memo for the amount, or issue a refund.