



Minnesota Subcontractors Association

Press Release
May 20, 2016

Retainage Reform Enacted in Minnesota

Governor Mark Dayton signed the Retainage Reform Bill (Chapter 133) into law on May 19, 2016. The new law passed unanimously in both houses and will limit retainage in Minnesota to 5%. The effective date is August 1, 2016.

Retainage is somewhat unique to the construction industry. It is that portion of a contract price which is held back from progress payments until a project is complete. Its original intent was to assure that individual contractors and subcontractors fulfilled their contractual obligations. In Minnesota, the previous retainage law allowed amounts of 10% and greater on private projects. The high amounts and slow payment of retainage caused significant financial difficulty, particularly for subcontractors. Work on Minnesota public projects is already limited to 5%. No retainage is allowed on most federal projects such as those run by the GSA and Dept. of Defense.

In addition to limiting retainage to 5% the new law will allow subcontractors to suspend work if progress payments are not made. It will also allow recovery of interest, court costs and attorney fees if civil action is required to collect undisputed retainage.

This important reform represents a significant victory for subcontractors. The Minnesota Subcontractors Association (MSA) initiated work on retainage in 2011. The association led 20 different subcontracting trade associations in support of the change. Throughout the process MSA negotiated with numerous contractor associations to reach an agreement on the language in this new law. Those terms of agreement include an explicit commitment to work on the possibility of establishing a trigger date or other mechanism to ensure prompt payment of retainage.

Excessive retainage led to higher construction cost, reducing it to 5% will help hold those costs down. MSA greatly appreciates the work of chief authors Sen. Sparks, Sen. Dahle and Rep. Rarick on this important reform.

About the Minnesota Subcontractors Association

Founded in 1991, the Minnesota Subcontractors Association (MSA) is a non-profit trade association representing construction industry specialty contractors and suppliers. MSA is the only association that concentrates on the business issues affecting all subcontractors and suppliers with a focus on slow payment, retainage, indemnification, lien rights, fair contract language, bidding practices and similar issues. Members include both union and non-union firms from every specialty construction trade. MSA provides representation in government affairs, education services, safety training, scholarships and cooperative action for the improvement of the construction industry. Information is available on our website www.msamn.com

By advocating fairness as the bedrock principle; the MSA goal is to establish the best possible public and business environment to enable success of all parties in a construction transaction.
