



DEPARTMENT OF THE TREASURY

BUREAU OF THE
Fiscal Service

GUIDELINES
FOR
CALCULATING
PROMPT PAYMENT INTEREST
FOR
WEEKENDS AND FEDERAL HOLIDAYS
2022

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PURPOSE OF THE GUIDELINES

The purpose of these guidelines is to bring clarity on how to Prompt Payment interest is to be calculated when a due date fall on a weekend or Federal holiday.

BACKGROUND

In 1982, Congress passed the Prompt Payment Act (Pub. L. 97-177, 96 Stat. 85) requiring Federal agencies to:

- to pay their bills timely;
- To pay interest penalties when payments are late, and;
- To take discounts, if economically justified.

APPLICATION

The Prompt Payment Act applies to contracts for goods or services awarded by Executive Branch agencies (31 U.S.C. §§ 3901-3907; 5 CFR §§ 1315.1 et seq.). Specifically, it applies to the payment types listed in § 1315.1.

30 DAY CALCULATION

WHAT DAYS ARE INCLUDED WHEN CALCULATING THE 30-DAYS LEADING TO THE PAYMENT DUE DATE?

All consecutive days are included (*inclusive of business days, weekends, and holidays*). If the contract terms require payment to be made in 30 days, payment must be made by the 30th calendar day. (5 CFR §§ 1315. 2(k), 1315.4(g)).

WHAT IS THE DUE DATE FOR WHEN THE 30TH DAY FALLS ON A WEEKEND OR HOLIDAY?

If the 30th day falls on a weekend or holiday, agencies are given a grace period to make a payment on the next business day. (5 CFR § 1315.4(h), § 1315.10(a)(1)).

MATTER OF: Prompt Payment Discounts: When Payment is Due on Local Holidays, B-217644 (10/31/85) (when an act is to be performed within a certain number of days and the last day falls on a weekend or a Federal legal holiday, performance on the following business day is proper); *MATTER OF: OMB*, B-17644.1 (3/31/89) (in response to OMB's request, GAO recommended that Prompt Payment deadlines that expire on Saturdays, Sundays, or legal holidays should be extended to the end of the next day that is not a Saturday, Sunday, or legal holiday).

AGENCY TIP: Agencies lack the power to unilaterally change the due date. However, the application of the grace period has the practical effect of allowing agencies to make a payment, when a due date falls on Saturdays, Sundays and/or Federal Holidays, on the next business day.

EXAMPLE 1: WHEN A DUE DATE FALLS ON A SATURDAY OR SUNDAY WHEN WOULD INTEREST BEGIN TO ACCRUE?

Agencies are given a grace period if a due date falls on a Saturday or Sunday. Payment may be made on the following business day without incurring late payment interest penalties. If either Saturday or Sunday is the due date, payment must be made on Monday.

AGENCY TIP: Interest does NOT begin on the payable date (*Monday*) in this example. Interest is calculated from the day after the payment date (*Tuesday*). “Interest will be calculated from the day after the payment due date through the payment date at the interest rate in effect on the day after the payment due date.” (5 CFR § 1315.10(a)(1)).

2021 JANUARY						
Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
EXAMPLE #1					1 NEW YEARS DAY	2
						DUE DATE
3	4	5	6	7	8	9
	PAYABLE DATE	INTEREST ACCRUES				
10	11	12	13	14	15	16
17	18 M.L. KING HOLIDAY	19	20	21	22	23
24	25	26	27	28	29	30
31						

EXAMPLE 2: WHEN A DUE DATES FALLING ON A MONDAY (HOLIDAY) WHEN WOULD INTEREST BEIN TO ACCRUE

Payments falling due on a weekend, or a Federal Holiday may be made on the following business day without incurring late payment interest penalties.

AGENCY TIP: If a due date initially fell on a Monday (*Federal Holiday*), payment must be made on Tuesday. Interest would begin accruing on Wednesday, (*if payment were not disbursed on Tuesday*).

2021 JANUARY

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
EXAMPLE #2					1 NEW YEARS DAY	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
	DUE DATE	PAYABLE DATE	INTEREST ACCRUES			
17	18 M.L. KING HOLIDAY	19	20	21	22	23
24	25	26	27	28	29	30
31						

BEGINNING DATE OF INTEREST ACCRUAL WHEN A PAYMENT “SHOULD BE MADE”

Due Date means “the date on which Federal payment “*should be made*”. (5 CFR § 1315.2(p)).

AGENCY TIP: The day the payment “*should be made*” refers to:

- **The next business day** (*after a weekend or federal holiday*) when the payment is made in the grace period context.
- And not the “*original*” due date.

WHEN DOES INTEREST BEGIN TO ACCRUE?

- Interest is calculated from the day *after* the payment due date (*e.g. the next business day*). (5 CFR § 1315.10(a)(1)). “The interest penalty shall be paid for the period beginning on the day after the required payment date and ending on the date on which payment is made.” (31 U.S.C. § 3902(b)).

EXAMPLE 3: WHAT IF THE DUE DATE FALLS ON A MONDAY (HOLIDAY) AND LATE PAYMENT IS MADE ON FRIDAY

This is the same as Example 2, except a late Same Day ACH payment is made on Friday. The grace period allows for a payment due on a Monday (*Federal Holiday*) to be made on Tuesday without incurring interest penalties.

AGENCY TIP: Auditors stress that the Monday due date cannot be changed. When the grace period is applied, the interest calculation **does not revert back** to the Monday due date if a late payment is made via Same Day ACH on Friday (*instead of the Tuesday payable date*). Interest continues to accrue from Wednesday to the settlement date. Three days of interest are owed (*assuming Same Day ACH payment is made on Friday*).

JANUARY 2021

SUN	MON	TUE	WED	THU	FRI	SAT
EXAMPLE #3					1 NEW YEARS	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18 M.L. KING HOLIDAY DUE DATE	19 PAYABLE DATE AFTER GRACE PERIOD	20 INTEREST ACCRUES DAY 1	21 INTEREST ACCRUES DAY 2	22 SAME DAY ACH LATE PAYMENT SETTLEMENT DATE INTEREST ACCRUES DAY 3	23
24	25	26	27	28	29	30
31						

DETERMINATION OF THE “PAYMENT DATE” – ENDING DATE OF INTEREST ACCRUAL

WHAT IS THE “PAYMENT DATE”?

“Payment Date: Payment will be considered to be made on the settlement date for an Electronic Funds Transfer (EFT) payment or the date of the check for a check payment. Payments falling due on a weekend or federal holiday may be made on the following business day without incurring late payment interest penalties.” (5 CFR § 1315.4(h)).

- **Checks** - Payment date means “the date on which a check for payment is dated...” 5 CFR § 1315.2(z).
- **The EFT** - Payment date means “...the date of an Electronic Funds Transfer EFT (*settlement date*)” 5 CFR § 1315.2(z). Settlement date means “the date on which an EFT payment is credited to the vendor’s financial institution. 5 CFR § 1315.2(ee). Interest is calculated through the settlement date.

SAME DAY ACH “PAYMENT DATE”

WHAT CONDITIONS APPLY TO SAME DAY ACH PAYMENT DATES?

- A Same Day ACH payment cannot exceed \$1,000,000. The total \$ value of Same Day ACH requests made by a specific ALC and TAS combination cannot exceed \$50 million on a single payment date.
- All Same Day ACH payment requests through SPS must be made by 4:00 p.m. Eastern Time (ET) in order to meet the Federal Reserve's Same Day window of 4:45 p.m. ET.
- Treasury-disbursed federal entities have the discretion to decide if a payment should be made by Same Day ACH.
- Treasury Financial Manual, Vol. 1, Part 4A, Chapter 3000, § 30115.10i.

EXAMPLE 4: WHAT IS THE “PAYMENT DATE” FOR SAME DAY ACH

If an agency timely originates a payment using the **Same Day ACH** on a banking day, such as Friday, for a payment that is due on Friday, the payment is settled on the same day. (5 CFR § 1315.2(ee), § 1315.4(h)). Friday is the “payment date” and the “settlement date.”

AGENCY TIP: No interest is calculated or owed.

JANUARY 2021						
SUN	MON	TUE	WED	THU	FRI	SAT
EXAMPLE #4					1 NEW YEARS	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18 M.L. KING HOLIDAY	19	20	21	22 DUE DATE SAME DAY ACH= Origination by 4:00 p.m. PAYMENT DATE SETTLEMENT DATE	23
24	25	26	27	28	29	30
31						

EXAMPLE 5: WHAT IS THE “PAYMENT DATE” IF NEXT DAY ACH WERE USED (INSTEAD OF SAME DAY ACH)?

If an agency timely originates a payment using the **Next Day ACH** option on a Thursday, for a payment that is due on a Friday (*Federal Holiday*), the settlement will be the next banking day (*Monday*). No interest accrues.

- The payee’s financial institution (*at its discretion*) may subsequently post the payment to the payee’s account as a *provisional* credit which allows the payee to have access to the funds early over the weekend.
- Because of the grace period over the Federal Holiday and weekend, the payment may occur on the next business day (*Monday*). The actual settlement of funds between the Treasury General Account (TGA) and the payee’s financial institution will occur on the next banking day (*Monday*).

AGENCY TIP: Same result would occur if the due date was either Saturday or Sunday,

2021 JANUARY						
Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
EXAMPLE #5				NEXT DAY ACH ORIGINATION DATE	DUE DATE 1 NEW YEARS DAY	POSSIBLE PROVISIONAL CREDIT OVER WEEKEND 2
	PAYMENT DATE SETTLEMENT DATE					
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18 M.L. KING HOLIDAY	19	20	21	22	23
24	25	26	27	28	29	30
31						

ORIGINATED A LATED PAYMENT?

Examples #5 & #6 are the same, except in example #6, the due date is a Thursday, which is prior to a Federal Holiday and a weekend **AND** at the time the Agency originates a Next Day Payment on Thursday, it is already late.

AGENCY TIP: Interest begins accruing on Friday and goes through Monday when the payment settles. Four days of interest is owed.

2021 JANUARY

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
EXAMPLE #6				NEXT DAY ACH ORIGINATION DATE DUE DATE	INTEREST ACCRUES DAY 1 1 NEW YEARS DAY	POSSIBLE PROVISIONAL CREDIT OVER WEEKEND INTEREST ACCRUES DAY 2 2 DAY 2
INTEREST ACCRUES DAY 3 3	PAYMENT DATE SETTLEMENT DATE INTEREST ACCRUES DAY 4 4	5	6	7	8	9
10	11	12	13	14	15	16
17	18 M.L. KING HOLIDAY	19	20	21	22	23
24	25	26	27	28	29	30
31						

HOW IS THE “PAYMENT DATE” DETERMINED IF:

The agency does not meet the Treasury Financial Manual requirements with respect to the payment process.

- Interest will continue to accrue through to the settlement date. For example, for SAME DAY ACH payments, if the agency delay causes it to miss the 4:00 p.m. ET processing window, payment will settle the following business day. (In other words, in Example 4, if the 4:00 p.m. ET deadline on Friday were missed, the SAME DAY ACH would settle on the next business day (*Monday*)). Likewise, if the combination of a specific ALC and TAS exceed \$50 million on a single payment date, all payments will settle the following business day. Treasury Financial Manual, Vol. 1, Part 4A, Chapter 3000, § 30115.10i.

The National Payment Center of Excellence or the Federal Reserve delayed or made an error in “the issuance” of the payment due to outages, natural disasters affecting operations, etc.?

- Interest will continue to accrue through to the settlement date. The agency that originated the payment is responsible for paying for any additional days of prompt payment interest penalties. (5 CFR § 1315.10(b)(5)); *Claim of Commercial Transfer Systems, Inc.*, B-213466 (May 1, 1984).

The Federal Reserve or the vendor bank delayed in crediting the EFT payment to the vendor’s account?

- No additional days of interest are due “[w]hen an EFT payment is not credited to the vendor's account by the payment due date because of the failure of the Federal Reserve or the vendor's bank to do so.” (5 CFR § 1315.10(c)(4)).