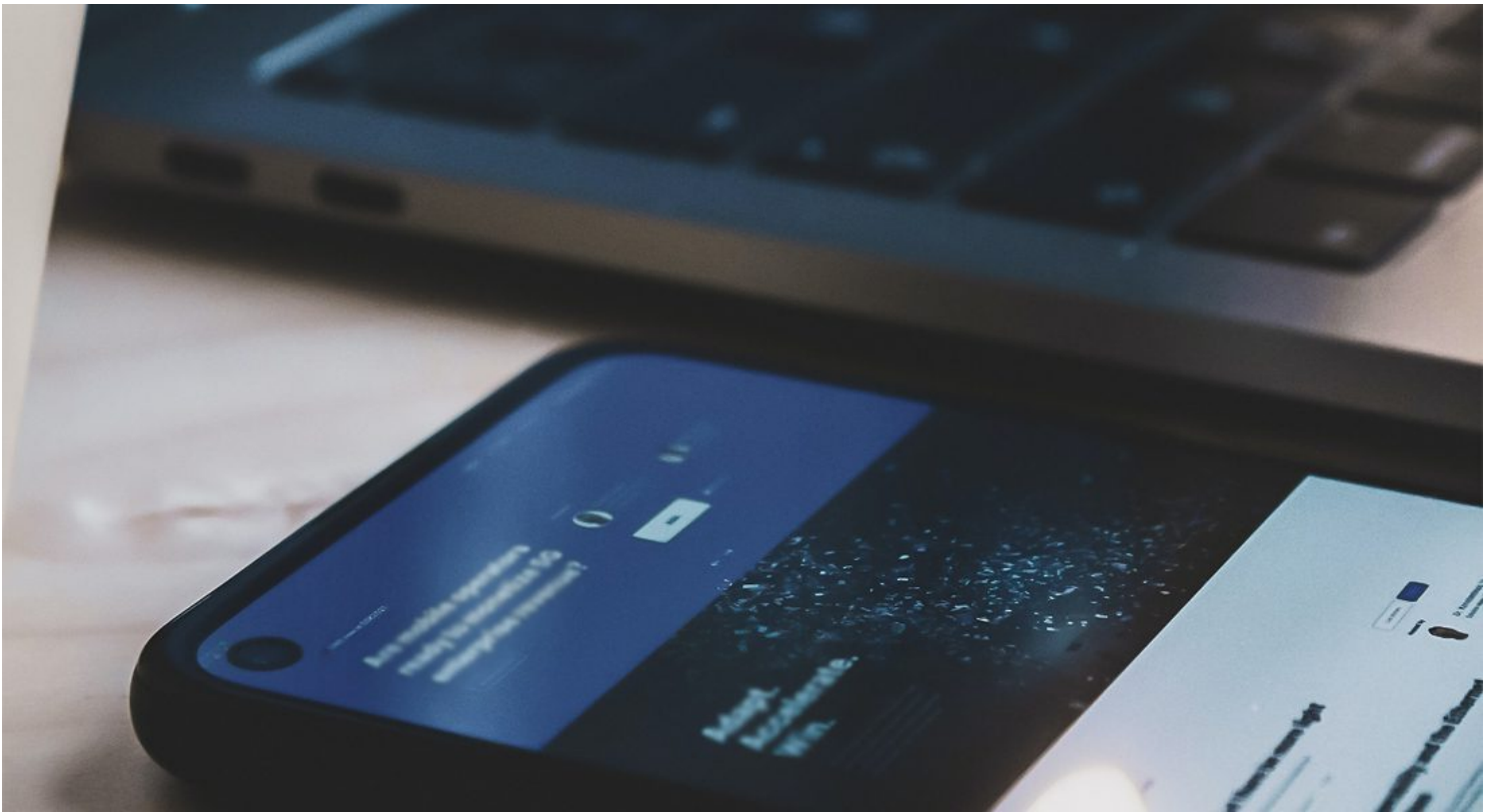


NEWS & INSIGHTS

Governor Wolf Approves a Major Overhaul of Pennsylvania's Contractor and Subcontractor Payment Act

INSIGHTSLEGAL UPDATE

JUNE 22, 2018



In 1994, the [Contractor and Subcontractor Payment Act \(CASPA\)](#) was enacted in Pennsylvania as a tool for contractors and subcontractors to use to help facilitate payment for services rendered on a project. The need for the CASPA was driven by lien waivers that contractors and subcontractors are often required to sign as a condition precedent to payment that relinquishes their rights under Pennsylvania's [Mechanics' Lien Law of 1963](#).

Last week, Pennsylvania Governor Tom Wolf approved the first overhaul of the CASPA since its enactment, *i.e.*, [Act 27](#). The amendments contained in Act 27 strengthen the CASPA's original intention – payment for work rendered – in numerous respects.

Significantly, Act 27 prohibits the waiver of its provision by contract or other agreement. Again, a contractor or subcontractor's waiver of rights under the Mechanics' Lien Law is routine. Act 27 makes it clear that waivers of the payment act's provisions are against the spirit and express terms of the Act.

Additionally, the Act allows a contractor or subcontractor to suspend its performance until payment is received. Complimenting that provision, the Act requires an owner who is withholding payment for deficiency items to explain their reasoning for doing so, in writing, within 14 calendar days of receipt of an invoice. Significantly, an owner's failure to provide such written notice will result in the waiver of the owner's right to withhold payment and "necessitate payment of the contractor in full for the invoice."

Act 27 will go into effect on October 10, 2018, 120 days after its approval.

Also, be mindful that the Supreme Court has previously held that the CASPA does not apply to public works projects. [Clipper Pipe & Service, Inc. v. Ohio Cas. Ins. Co., 115 A.3d 1278 \(Pa. 2015\)](#).

Related Services and Industries

[Construction](#)

[Construction Litigation](#)