

**HOUSE . . . . . No. 297**

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**The Commonwealth of Massachusetts**

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PRESENTED BY:

***Michael J. Moran, (BY REQUEST)***

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*To the Honorable Senate and House of Representatives of the Commonwealth of Massachusetts in General Court assembled:*

The undersigned legislators and/or citizens respectfully petition for the adoption of the accompanying bill:

An Act relative to small business payments.

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PETITION OF:

NAME:	DISTRICT/ADDRESS:	DATE ADDED:
<i>Tim Wallis</i>	<i>158 Brayton Rd, Boston MA 02135</i>	<i>2/12/2021</i>

**HOUSE . . . . . No. 297**

By Mr. Moran of Boston (by request), a petition (accompanied by bill, House, No. 297) of Tim Wallis for legislation to establish fair deadlines for business to business invoice settlements based on the size of the payable and receivable business entities. Community Development and Small Businesses.

**The Commonwealth of Massachusetts**

**In the One Hundred and Ninety-Second General Court  
(2021-2022)**

An Act relative to small business payments.

*Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:*

1 SECTION 1: SHORT TITLE: PURPOSE

2 Sections one to e, inclusive, shall be known as the “Massachusetts Fair Business Invoice  
3 Settlement Act.” It is the purpose of this chapter to establish fair deadlines for business to  
4 business invoice settlement based on the size of the payable and receivable business entities.  
5 Smaller businesses rely on prompt invoice settlement to ensure healthy cash flow and the ability  
6 to sustain business operations. Large business entities cannot expect smaller businesses or start  
7 ups to be able to operate on the same net payment schedule as their own. These chapters define  
8 the size of business entities and the fair time frame for invoice settlement based upon that size.

9 SECTION 2: DEFINITIONS

10 For the purpose of this chapter, the following words and terms shall have the following  
11 meanings:

12           “Large Business,” any company that does business in Massachusetts with more than 1000  
13 employees and/or more than \$50 million dollars in annual revenue.

14           “Small Business,” any company that does business in Massachusetts with fewer than 100  
15 employees and/or an annual revenue of less than \$5 million dollars.

16           “Start up,” any business that is headquartered in Massachusetts that has been in operation  
17 for less than five years based on the date of the business license first being issued.

18           “Invoice,” any ledger or statement of account upon which goods and/or services are  
19 itemized and a sum is calculated as a total amount due and a specified due date for payment.

20           “Purchase order,” any ledger itemizing goods or services, with an anticipated total  
21 amount due, being requested of a business entity by another business entity.

22           “Dispute,” any disagreement in an invoice by either the receivable or payable party in  
23 which the disagreement has been disclosed to all parties involved in the transaction.

24

25           “Settlement,” payment of an invoice in it’s entirety.

26           “Payment term,” the method of payment that is acceptable to pay an invoice. This should  
27 be specified on the invoice.

28           “Net ##” where ## is a whole number that indicates that the net amount of an invoice is  
29 due ## days after the date of the invoice. Ex: net 30 indicates an invoice must be paid in full 30  
30 days after the date on the invoice.

31           SECTION 3: JURISDICTION

32            Nothing in the Massachusetts Fair Business Invoice Act, hereinafter referred to as the  
33 Act, shall apply to any course of conduct, pattern of activity, or activities unless they occur and  
34 have their competitive impact primarily and predominantly within the commonwealth.

35            For purposes of the Act, the burden of establishing jurisdiction shall be upon the party  
36 asserting such jurisdiction with respect to any course of conduct, pattern of activity, or activities  
37 relating to commerce in the Commonwealth.

38            Parties may decide to use the formal court system or enter into an arbitration agreement.

#### 39            SECTION 4: PURCHASE ORDERS

40            All business transactions enforceable under this act must be initiated with a written  
41 purchase order by the business seeking to purchase goods or services. The purchase order must  
42 contain, at minimum, the following information:

- 43            •            Contact details of the requesting business and selling business.
- 44            •            Date the purchase order is signed or approved within the initiating organization  
45 including the legible name and signature of the approving authority.
- 46            •            Itemization of goods or services being purchased.
- 47            •            Date of receipt at the vending business as well as verification and approval of  
48 items ordered and total cost of the purchase order. Inaccurate purchase orders should be returned  
49 to the requesting organization for correction.

#### 50            SECTION 5: INVOICES

51 An invoice is required by law whenever full payment is not being made to the vendor  
52 upon receipt of goods or services. The invoice should be provided by the seller to the buyer as  
53 soon as possible. The invoice must contain, at minimum, the following information:

- 54 • Contact details of the requesting business and selling business.
- 55 • Total amount due, payment term, and due date.

#### 56 SECTION 6: MAXIMUM SETTLEMENT TIME FRAME

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58 Any business entity that has a purchase order fulfilled will adhere to the following  
59 deadlines for settlement of the invoice based on the size of the business providing the goods or  
60 services:

- 61 • A small business must be paid in full within 30 days of the date on the invoice.
- 62 • A large business must be paid in full within 60 days of the date on the invoice.
- 63 • A start up business headquartered in the Commonwealth must be paid in full  
64 within 30 days of the date on the invoice.

#### 65 SECTION 6: EXCEPTIONS

66 The only time the maximum settlement time frame can go beyond the requirements of  
67 section 6 is if both parties agree to a different net due date. The agreement should state the  
68 exception, circumstances around the exception, points of contact in each organization familiar  
69 with the agreement, and an expiration date for the agreement. If no expiration date is specified,  
70 the modification agreement becomes invalid after one year.

71 SECTION 7: DISPUTES

72 Any discrepancy relating to the amount due or received by the payee or vendor  
73 respectively must be reported to the other business party within 15 days of the date of the  
74 invoice. Investigations of disputes should be finished within 15 days that any party was notified  
75 by the other that there is a discrepancy. The time during an open dispute is the only time that no  
76 penalty will be assessed on unpaid balances, so long as an actual dispute exists. The seller  
77 forfeits any penalty that could be recovered if a dispute is unsuccessful in being proven against  
78 the buyer.

79 SECTION 8: PENALTY FOR UNPAID BALANCES

80 For any business transaction that exceeds the maximum time frame for settlement, the  
81 following late fee shall be assessed to the buyers unpaid balance:

- 82 • Seven percent annualized interest per month on any unpaid balance.

83 In the event that the unpaid balance is due to a dishonored check, this penalty also applies  
84 to any relief payments provided under the law to the party that accepted the dishonored check.