

## Section 2.39

### **Discounts for Prompt or Early Payments (Prompt Payment Act)**

Follow the guidelines outlined in the TPASS [eXpendit State Purchasing Policies](#) for [Discounts for Prompt or Early Payment](#) under Miscellaneous, Payments and Fees.

A [state agency](#) must negotiate a prompt [payment](#) discount with a vendor when possible. To take advantage of a prompt or early payment discount, a state agency must submit the necessary payment documents or information to the Comptroller's office sufficiently in advance to allow the Comptroller's office or the agency to pay the [vendor](#) in time to obtain the discount.

An early payment discount (also referred to as a cash discount) is a discount offered to the agency for early payment. An offer for an early payment discount, such as “2/10 net 30” (a 2% discount if the bill is paid within 10 days instead of 30) may be considered in making an award. Example: Contractor offers 2/10 Net 30. A customer can take the 2 percent discount if it pays before or by the 10th day. Financial accounting demonstrates that 2/10 net 30 is equivalent to approximately 36 percent rate of return; hence even 1/10 net 30 translates into approximately 18 percent rate of return.

Texas Government Code Sections 2251.001(2), (4), (7)–(8), (10), 2251.030(a), (d).