

1 AN ACT relating to contracts for the improvement of real estate.

2 ***Be it enacted by the General Assembly of the Commonwealth of Kentucky:***

3 ➔Section 1. KRS 371.160 is amended to read as follows:

- 4 (1) If, in any contract in the amount of two million~~[five hundred thousand]~~ dollars
5 (\$2,000,000)~~(\$500,000)~~ or more involving the improvement of real estate, a
6 certain amount or percentage of the contract is held back by the owner, that retained
7 amount shall be deposited in a separate escrow account with a bank or trust
8 company authorized to do business in the Commonwealth of Kentucky.
- 9 (2) As of the time of the deposit of the retained funds, they shall become the sole and
10 separate property of the contractor to whom they are owed.
- 11 (3) The escrow agent shall promptly invest all escrowed principal in obligations
12 selected by the escrow agent in its discretion.
- 13 (4) Upon satisfactory completion of the contract, to be evidenced by a written release
14 by the owner, all funds accumulated in the escrow account, together with any
15 interest thereon, shall be paid immediately to the contractor to whom it is owed.
- 16 (5) The escrow agent shall be compensated for its services in an amount agreed to by
17 the owner, contractor, and escrow agent. The compensation shall be a commercially
18 reasonable fee commensurate with fees being charged for handling of escrow
19 accounts of similar size and duration. The compensation shall be paid from the
20 escrow account.
- 21 (6) In the event the owner fails or refuses to execute the release provided for in
22 subsection (4) of this section, then the contractor shall have a cause of action
23 against the owner in a court of proper jurisdiction.
- 24 (7) This section shall not apply to contracts with the Commonwealth, any county,
25 charter county, urban-county government, or municipality, or any other political
26 subdivision, agency, or instrumentality of the Commonwealth, or school boards.