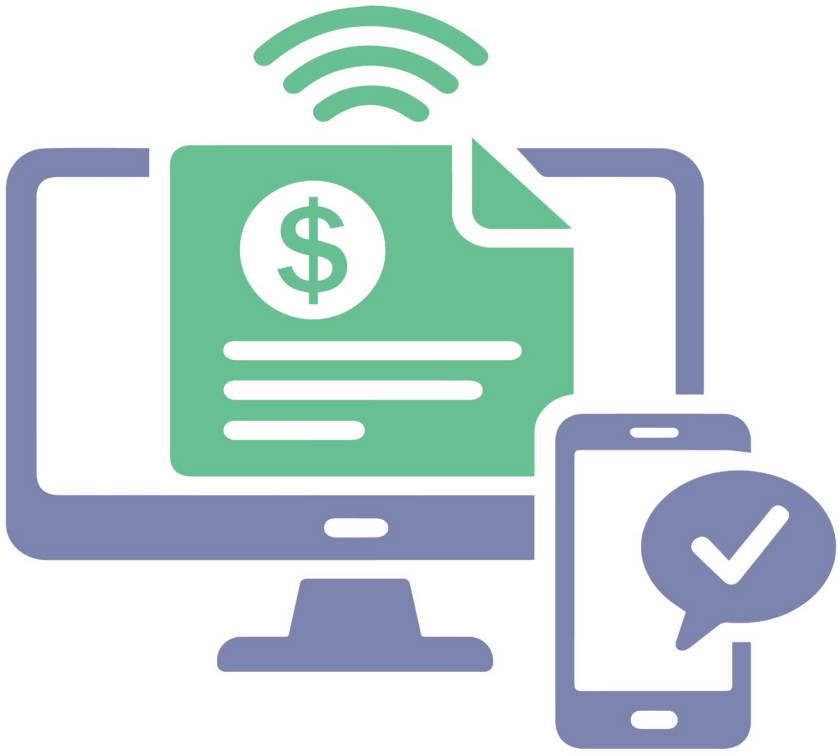
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PRACTICE MANAGEMENT
RESOURCE CENTER GUIDEBOOK

MICHIGAN LEGAL BILLING BASICS



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MICHIGAN LEGAL BILLING BASICS

Legal billing is more than tracking time and collecting payment. It is an essential part of competent law practice management, client communication, and compliance with professional responsibility obligations.

Clear, accurate, and consistent billing practices help attorneys:

- Establish appropriate expectations at the beginning of representation.
- Maintain positive attorney-client relationships.
- Reduce fee disputes and collection problems.
- Protect client funds and comply with trust accounting requirements.
- Demonstrate the reasonableness of fees charged.
- Maintain accurate financial and professional records.

Michigan attorneys should approach billing as both a business responsibility and an ethical obligation.

TYPES OF LEGAL FEE ARRANGEMENTS

Attorneys may use different billing arrangements depending on the nature of the representation, client needs, and applicable law.

HOURLY BILLING

Under an hourly agreement, the attorney charges time spent performing legal services. A typical hourly billing structure identifies:

- Attorney hourly rates.
- Associate attorney hourly rates, if applicable.
- Paralegal and legal assistant rates, where applicable.
- Billing increments (such as one-tenth of an hour).
- Frequency of invoices.
- Payment deadlines.
- Responsibility for costs and expenses.

Example:
An attorney bills $275 per hour and spends 2.4 hours on a matter.
2.4 hours x $275 = $660
The invoice should identify the services performed and the time associated with each entry.

FLAT-FEE BILLING

A flat fee is a predetermined amount charged for an agreed scope of legal services.

Examples include:

- Estate planning documents.
- Uncontested divorces.
- Business formation.
- Residential real estate transactions.
- Certain criminal defense matters.

A flat-fee agreement should clearly explain:

- The services included.
- The services excluded.
- Whether additional work will result in additional charges.
- When the fee is considered earned.
- Whether advance payments will be held in trust.
- What happens if representation ends before completion.

A flat fee is not inherently nonrefundable; to be treated as such, it must be specifically and expressly designated as nonrefundable. Attorneys must clearly distinguish between an advance payment for legal services to be rendered and a properly structured fee arrangement under which the fee is earned upon receipt or compensates the attorney for reserving availability.

CONTINGENCY FEE BILLING

A contingency fee is generally based on a percentage of the recovery obtained by the client.

Michigan requires contingent-fee agreements to be in writing and to explain how the fee will be calculated. See MCR 8.121(F) and MRPC 1.5(c).

The agreement should address:

- The percentage charged.
- Whether the percentage changes at different stages of litigation.
- How litigation expenses are handled.
- Whether expenses are deducted before or after calculating the attorney fee.
- What happens if there is no recovery.
- How any recovery will be distributed.

Attorneys must also consult MCR 8.121, MRPC 1.5(d), and other applicable laws, court rules, and ethics opinions to ensure that fee arrangements comply with all governing requirements and limitations. For example, certain contingent-fee arrangements are prohibited, including fees contingent upon obtaining a divorce or the amount of alimony, support, or property settlement, as well as contingent fees for representing defendants in criminal cases. Other contingent-fee arrangements, including those involving claims or actions for personal injury, wrongful death, and no-fault benefits, are subject to a one-third cap on the amount recovered.

RETAINERS AND ADVANCE PAYMENTS

The term “retainer” is frequently used to describe different payment arrangements.

Attorneys should distinguish among:

1. Advance for payment: Money paid in advance for legal services that have not yet been performed.
2. Advance expense deposit: Money provided to cover anticipated litigation or other expenses.
3. Availability or engagement retainer: A payment for reserving the attorney’s availability, subject to applicable ethical and professional requirements.
4. Evergreen retainer: An arrangement requiring the client to replenish an agreed advance balance.

The agreement should explain what the payment represents, how it will be applied, and whether replenishment is required.

Unearned fees and unincurred expenses must remain in the client trust account until earned or expended.

WHAT MAKES AN ATTORNEY FEE REASONABLE?

MRPC 1.5(a) prohibits unreasonable fees.

MRPC 1.5 identifies eight factors to consider when determining whether a fee is reasonable:

1. the time and labor required, the novelty and difficulty of the questions involved, and the skill requisite to perform the legal service properly;
2. the likelihood, if apparent to the client, that the acceptance of the particular employment will preclude other employment by the lawyer;
3. the fee customarily charged in the locality for similar legal services;
4. the amount involved and the results obtained;
5. the time limitations imposed by the client or by the circumstances;
6. the nature and length of the professional relationship with the client;
7. the experience, reputation, and ability of the lawyer or lawyers performing the services; and
8. whether the fee is fixed or contingent.

Attorneys should remember that a fee is not automatically reasonable simply because a client agreed to pay it.

WRITTEN FEE AGREEMENTS: START WITH CLEAR EXPECTATIONS

Although written agreements are not required in Michigan, except for contingency fee agreements, they are strongly recommended for all client representations.

A comprehensive engagement agreement should address:

- Identity of the client.
- Scope of representation.
- Services included and excluded.
- Attorney and staff billing rates.
- Flat fees or contingency percentages, where applicable.
- Advance payments and retainers.
- Client responsibility for costs and expenses.
- Billing frequency.
- Payment deadlines.
- Interest and late-payment provisions, if applicable.
- Withdrawal and termination provisions.
- Refunds of unearned fees.
- Responsibility for outstanding balances.
- Any applicable fee-dispute resolution provisions.

Practical Tip: Attorneys should avoid relying on generic engagement letters without tailoring and reviewing them in light of the specific representation. Ambiguous billing provisions can lead to misunderstandings and unnecessary disputes.

TIMEKEEPING: THE FOUNDATION OF ACCURATE BILLING

Timekeeping is essential for all billing arrangements, particularly when expenses must be substantiated. For attorneys who bill by the hour, however, accurate and detailed timekeeping is especially critical.

Whenever possible, time should be recorded contemporaneously as work is performed, rather than reconstructed at the end of the month.

A useful time entry identifies:

- Date of service.
- Attorney or staff member performing the work.
- Client and matter.
- Description of the service.
- Time expended.
- Applicable hourly rate.

Examples of appropriate billing descriptions:

Best Practice Description	**Less Informative Description**
Review and analyze opposing counsel's discovery responses	Review file
Draft motion for summary disposition	Work on motion
Telephone conference with client regarding settlement proposal	Phone call
Research Michigan authority concerning enforceability of restrictive covenant	Legal research
Prepare of deposition of plaintiff	Deposition preparation

Billing descriptions should be sufficiently detailed to explain the nature of the work while protecting privileged and confidential information.

Attorneys should also:

- Avoid block billing when it prevents meaningful review of individual tasks.
- Avoid duplicative billing.
- Ensure multiple attorneys attending the same event have a legitimate reason for doing so.
- Avoid billing for clerical work as legal services.
- Review entries for accuracy before sending invoices.
- Never record time that was not actually spent.

UNDERSTANDING BILLING INCREMENTS

Law firms commonly use increments of one-tenth of an hour (six minutes).

For example:

Time Spent	Billable Time
1 minute	0.1 hour
6 minutes	0.1 hour
12 minutes	0.2 hour
18 minutes	0.3 hour
30 minutes	0.5 hour
60 minutes	1.0 hour

Billing increments should be clearly disclosed in the fee agreement, and attorneys should adopt billing practices that reasonably reflect the time actually spent performing legal work. Billing increments must not be used to impose unreasonable, excessive, or inflated charges.

COSTS AND EXPENSES: WHAT CAN BE CHARGED TO CLIENTS?

Legal expenses are distinct from attorney fees, even when both are included on the same invoice. Attorneys should separately identify and itemize expenses, clearly distinguish them from fees for legal services, and ensure that any charges passed on to the client are reasonable, properly documented, and consistent with the fee agreement and applicable ethical requirements.

Examples of potentially chargeable expenses include:

- Court filing fees.
- Deposition transcripts.
- Court reporter fees.
- Expert witness fees.
- Process server fees.
- Reasonable copying and printing expenses.
- Postage and delivery expenses.
- Travel expenses, when agreed upon and appropriately documented.

Charges for expenses generally must reasonably reflect the lawyer's actual cost. For third-party services, the attorney may generally pass along the cost incurred in obtaining those services.[1]

Attorneys should exercise particular caution when imposing administrative fees, technology fees, convenience fees, or other surcharges. Expenses incurred on behalf of a client should not automatically be marked up or assessed an additional charge. Any proposed markup, surcharge, or ancillary fee should be carefully evaluated to ensure that it is reasonable, properly disclosed, authorized by the fee agreement, and consistent with applicable Michigan law and ethics guidance.

1 See Michigan Ethics Opinion RI-364.

TRUST ACCOUNTING: PROTECTING CLIENT FUNDS

Trust accounting is one of the most important areas of legal billing compliance. MRPC 1.15 governs the safekeeping of client and third-party property.

In general:

- Client funds must be kept separate from the firm's operating funds.
- Unearned legal fees paid in advance must be deposited into an appropriate client trust account.
- Advance payments for expenses generally remain in trust until the expenses are incurred.
- Attorneys may transfer earned fees from trust to operating accounts when properly earned and accounted for.
- Attorneys must maintain appropriate records.
- Disputed funds must remain protected until the dispute is resolved, while undisputed portions should be distributed promptly.

Michigan's trust account overdraft notification requirements are addressed in MRPC 1.15A.

IMPORTANT TRUST ACCOUNTING PRACTICES

1. Maintain separate operating and trust accounts.
2. Deposit client funds promptly and correctly.
3. Maintain individual client ledgers.
4. Reconcile trust accounts regularly.
5. Document every deposit and disbursement.
6. Never use client funds to cover firm operating expenses.
7. Transfer fees only when properly earned.
8. Promptly address discrepancies and overdrafts.

Law firms should establish and maintain written procedures governing trust account management and ensure that all attorneys and staff members understand their respective responsibilities and obligations.

PREPARING PROFESSIONAL AND UNDERSTANDABLE INVOICES

An invoice should provide clients with enough information to understand what they are being charged for.

A professional legal invoice generally includes:

- Law firm name and contact information.
- Client name.
- Matter description or file number.
- Invoice number.
- Billing period.
- Invoice date.

- Payment due date.
- Individual time entries.
- Timekeeper names and billing rates.
- Hours billed.
- Itemized expenses.
- Payments and credits.
- Previous balance, if any.
- Current amount due.

Sample billing entry:

Date	Description	Hours	Rate	Amount
10/5/26	Review discovery responses	1.2	$275	$330
10/6/26	Client telephone conference	0.4	$275	$110
10/7/26	Draft discovery correspondence	1.5	$275	$412.50
	Total Fees	**3.1**		**$852.50**

The invoice should separately identify expenses and payments applied.

BILLING FREQUENCY AND CLIENT COMMUNICATION

A well-defined billing policy establishes when clients can expect to receive invoices and the terms and methods by which payment is expected.

Common billing practices include:

- Monthly billing: Invoices are issued at regular monthly intervals.
- Milestone billing: Invoices are issued upon completion of specified stages or milestones in the representation.
- Periodic billing: Invoices are issued at established intervals throughout an ongoing matter.
- Project-based billing: Invoices are issued upon completion of a particular project or defined scope of work.

Attorneys should communicate billing practices and payment expectations clearly at the outset of the representation. If a matter becomes more complex or requires substantially more work than originally anticipated, attorneys should promptly communicate the change and provide an updated estimate when appropriate. Clients should not be caught off guard by significant increases in anticipated legal fees.

MRPC 1.4 underscores the importance of meaningful and timely communication throughout the representation, including communication about developments that may materially affect the scope, cost, or duration of the legal services being provided.

HANDLING PAST-DUE ACCOUNTS AND BILLING DISPUTES

Collecting unpaid invoices is a common challenge in law firm management and requires a consistent, well-defined approach. Law firms should establish written procedures for monitoring accounts receivable, following up on overdue invoices, and addressing delinquent accounts. These procedures should include clear timelines for payment reminders, client communications, and any further collection efforts.

Attorneys should address payment issues promptly and professionally, communicate with clients about outstanding balances, and apply collection policies consistently. Any decision to suspend services or withdraw from representation because of nonpayment must also comply with applicable ethical obligations, court rules, and procedural requirements.

Recommended practices:

9. Send invoices promptly.
10. Confirm that invoices were received.
11. Follow up professionally when payment is overdue.
12. Discuss billing concerns before they escalate.
13. Document payment arrangements.
14. Review the engagement agreement before assessing interest or late fees.
15. Consider whether continued representation is appropriate.

Interest and late fees should be expressly addressed in the agreement and must comply with applicable law and MRPC 1.5.

IMPORTANT: Nonpayment does not automatically entitle an attorney to withdraw from representation. Any withdrawal must comply with MRPC 1.16, as well as applicable court rules and court orders.

Before seeking to withdraw, an attorney should carefully evaluate the status of the matter, including pending deadlines and proceedings, the potential prejudice to the client, applicable notice requirements, and whether court approval is required. Attorneys must take appropriate steps to protect the client's interests throughout the withdrawal process and ensure that withdrawal does not violate their continuing ethical or procedural obligations.

SPEAKING TO CLIENTS ABOUT BILLING ISSUES

Effective practice management requires Michigan attorneys to establish clear, consistent, and professional communication practices when addressing billing issues and other difficult financial discussions with clients. Attorneys and law firm staff should be prepared to have candid conversations about unpaid invoices, replenishment of retainers, unexpected legal expenses, changes in the scope of representation, fee disputes, and the financial implications of continuing legal services. These discussions should be handled promptly, respectfully, and with transparency, providing clients with a clear understanding of the services performed, the fees incurred, and any available options for resolving outstanding balances.

Law firms should establish written billing policies, communicate fee expectations at the beginning of the attorney-client relationship, and train staff to recognize when a billing concern requires attorney involvement. Equally important is the ability to navigate difficult conversations, including advising clients when their financial circumstances or failure to meet payment obligations may affect the firm's ability to continue representation.

Michigan attorneys should ensure that billing and collection practices comply with the Michigan Rules of Professional Conduct, particularly MRPC 1.4 (Communication), MRPC 1.5 (Fees), and MRPC 1.16 (Declining or Terminating Representation). By treating billing conversations as an integral part of client service and law firm management, attorneys can minimize misunderstandings, reduce collection problems, maintain professional boundaries, and preserve productive attorney-client relationships.

BILLING SOFTWARE

Billing software[2] is an essential tool for Michigan attorneys and law firms seeking to streamline financial operations, improve accuracy, and maintain compliance with professional responsibilities. Legal billing software helps attorneys efficiently track billable hours, manage client expenses, generate detailed invoices, monitor payments, and maintain accurate financial records.

For Michigan law firms, the right billing solution should support customizable billing arrangements, including hourly, flat-fee, contingency, and retainer-based billing, while providing clear client invoicing and transparent trust account tracking. By automating routine billing tasks and integrating timekeeping, case management, and accounting functions, legal billing software allows Michigan attorneys to reduce administrative burdens, improve cash flow, and devote more time to serving their clients.

SPECIAL BILLING CONSIDERATIONS

Certain types of legal representations involve additional regulatory and ethical requirements that warrant particular attention. Attorneys should consider the rules governing the specific practice area when structuring fee agreements, communicating billing expectations, and administering client funds.

FAMILY LAW

Attorneys should carefully review the restrictions on contingent fees in domestic relations matters. Fee agreements should clearly define the scope of representation, payment obligations, anticipated expenses, and responsibility for fees and costs associated with additional proceedings or services beyond the original scope of representation.

See MRPC 1.5(d).

CRIMINAL DEFENSE

Contingent fees for representing criminal defendants are prohibited. Fee agreements should clearly identify the services covered, the basis for calculating fees, payment obligations, and the treatment of advance payments. Attorneys should ensure that the fee arrangement complies with applicable ethical requirements governing fee agreements and client funds.

See MRPC 1.5(d).

PROBATE AND ESTATE ADMINISTRATION

MCR 5.313 imposes specific requirements governing attorney compensation in matters involving personal representatives. Among other things, these requirements address:

Reasonable fees and costs: Attorney compensation and expenses must be reasonable.
Written fee agreement: A written fee agreement must be signed at the commencement of the representation.
Timekeeping records: Attorneys must maintain records identifying the person performing the work, the date the services were performed, the time expended, and a brief description of the services provided.

Attorneys handling probate matters should familiarize themselves with these requirements and maintain appropriate documentation to support their compensation.

2 For member benefits and exclusive rates, visit https://www.michbar.org/programs/home.

CONTINGENCY FEE LITIGATION

Attorneys entering into contingent-fee arrangements should carefully review MCR 8.121 and all applicable requirements governing written fee agreements, permissible fee percentages, litigation expenses, and the distribution of settlement proceeds to clients. Particular attention should be given to the required disclosures and documentation necessary to support the fee calculation and final distribution.

MULTIPLE ATTORNEYS OR THIRD-PARTY PAYORS

When multiple attorneys participate in a representation, attorneys must consider Michigan's requirements governing the division of fees between lawyers.

Under MRPC 1.5(e), a division of fees between lawyers who are not in the same firm is permissible only if the client is advised of, and does not object to, the participation of all lawyers involved, and the total fee is reasonable.

Similarly, when a third party pays a client's legal fees, attorneys must ensure that the payment arrangement does not interfere with their independent professional judgment or compromise their duties of loyalty and confidentiality to the client. The client must provide informed consent to the arrangement, and the attorney must preserve the confidentiality of information relating to the representation.

See MRPC 1.8(f).

AI AND AUTOMATION IN BILLING EVALUATION

The law firm should evaluate opportunities to leverage artificial intelligence (AI) and automation to improve the efficiency, accuracy, and consistency of its billing processes. Potential applications include automated review of attorney time entries, identification of billing discrepancies, compliance with client-specific billing guidelines, detection of duplicate or potentially non-billable charges, and streamlined preparation and review of invoices.

AI-driven tools may also assist in identifying billing trends, reducing administrative burdens, and providing greater visibility into billing performance. Any implementation should prioritize data confidentiality, client privacy, ethical obligations, accuracy, and appropriate attorney oversight to ensure that automated processes support, rather than replace, professional judgment. The evaluation should also consider integration with existing practice management and accounting systems, implementation costs, expected return on investment, and opportunities to improve realization rates, reduce billing cycle times, and enhance the overall client billing experience.

BILLING LANGUAGE FOR INDIVIDUAL CLIENTS

Individual clients are often unfamiliar with the amount of time required to complete various legal tasks or the reasons particular services are necessary. Accordingly, billing entries should provide sufficient detail to explain both the work performed and its purpose. Vague or overly general descriptions can lead to confusion, undermine client confidence, and create unnecessary billing disputes.

Attorneys should also recognize that legal fees often represent a significant financial commitment for individual clients. Some clients must borrow money, liquidate assets, or draw from personal savings to pay for legal representation. As a result, clients may closely scrutinize their invoices and expect a clear accounting of how their funds are being spent. Detailed, accurate, and transparent billing entries help clients understand the value of the services provided, reinforce trust in the attorney-client relationship, and reduce the likelihood of disputes over fees.

COMMON LEGAL BILLING MISTAKES TO AVOID

The following practices can create ethical, financial, and client-relations problems:

- Failing to establish the fee arrangement at the beginning of representation.
- Using unclear or incomplete engagement agreements.
- Charging excessive or unreasonable fees.
- Billing for services that were not performed.
- Charging clients for administrative tasks as legal work.
- Double billing for the same work.
- Failing to explain additional expenses.
- Adding unauthorized surcharges.
- Improperly transferring unearned fees from trust.
- Failing to maintain accurate time records.
- Allowing substantial billing balances to accumulate without communication.
- Failing to address client billing complaints.
- Treating all retainers as automatically earned or nonrefundable.

A strong billing system reduces the likelihood of these problems.

PRACTICAL LEGAL BILLING CHECKLIST

BEFORE ACCEPTING REPRESENTATION

- ☐ Identify the client.
- ☐ Define the scope of representation.
- ☐ Determine the appropriate fee arrangement.
- ☐ Establish attorney and staff billing rates.
- ☐ Explain anticipated costs and expenses.
- ☐ Prepare and review the fee agreement.
- ☐ Explain advance payments and trust accounting practices.
- ☐ Discuss billing frequency and payment expectations.

DURING REPRESENTATION

- ☐ Record time contemporaneously.
- ☐ Use accurate billing descriptions.
- ☐ Review time entries for duplication.
- ☐ Track expenses and retain supporting documentation.
- ☐ Issue invoices consistently.
- ☐ Communicate significant changes in anticipated fees.
- ☐ Maintain accurate trust account records.
- ☐ Address client billing concerns promptly.

WHEN REPRESENTATION CONCLUDES

- ☐ Prepare a final accounting.
- ☐ Reconcile outstanding balances.
- ☐ Return unearned fees.
- ☐ Disburse funds to appropriate parties.
- ☐ Provide client property and file materials as required.
- ☐ Complete trust account reconciliation.
- ☐ Preserve required financial and client records.

FINAL TAKEAWAYS

Effective legal billing involves more than issuing invoices and collecting payments. It requires a comprehensive system that promotes transparency, accuracy, fairness, and compliance with professional obligations. Michigan attorneys should make it a priority to:

1. Establish clear, written fee agreements that define the scope of representation and explain the basis for fees and expenses.
2. Charge reasonable fees consistent with applicable ethical requirements.
3. Maintain accurate time and expense records sufficient to support all charges billed to clients.
4. Communicate billing expectations and promptly address changes that may affect the anticipated cost of representation.
5. Protect client funds and comply with all applicable trust accounting requirements.
6. Review invoices before sending them to ensure that charges are accurate, reasonable, and properly documented.
7. Address billing disputes professionally and make good-faith efforts to resolve client concerns.
8. Stay current with Michigan ethics rules and court requirements governing attorney compensation, billing practices, and client funds.

The guiding principle is straightforward: Clients should understand what they are paying for, attorneys should be able to substantiate the fees and expenses they charge, and client funds must always be handled with care and in accordance with applicable professional obligations. Consistent attention to these principles helps prevent billing disputes, strengthens the attorney-client relationship, and promotes the integrity of the legal profession.

Disclaimer: *This resource is intended for general educational and law practice management purposes. It is not legal advice, a formal ethics opinion, or a substitute for reviewing the current Michigan Rules of Professional Conduct, Michigan Court Rules, applicable statutes, and relevant ethics opinions. Attorneys should evaluate billing arrangements based on the particular circumstances of their representations and consult appropriate professional resources when questions arise.*

APPENDIX A

LEGAL BILLING AND TRUST ACCOUNT COMPLIANCE CHECKLIST

BEST PRACTICES FOR MICHIGAN ATTORNEYS AND LAW FIRM STAFF

Use this checklist throughout the attorney-client relationship to promote accurate billing, transparent fee arrangements, proper trust account management.

Client: _____ Matter: _____

Responsible Attorney: _____ Date: _____

BEFORE REPRESENTATION BEGINS

- ☐ Identify the client and clearly define the scope of representation.
- ☐ Select the appropriate fee arrangement (hourly, flat fee, contingency, or other).
- ☐ Clearly communicate attorney, associate, and paralegal billing rates.
- ☐ Explain billing increments, minimum billing charges, and anticipated expenses.
- ☐ Prepare and execute a written engagement agreement.
- ☐ Explain advance fee payments, retainers, and applicable trust account procedures.
- ☐ Establish billing frequency and payment deadlines.
- ☐ Disclose any applicable interest charges or late-payment provisions.
- ☐ Explain how additional services, expenses, or changes in the scope of representation will be addressed.

DURING REPRESENTATION

- ☐ Record time contemporaneously, preferably as services are performed.
- ☐ Include the date, timekeeper, description of services, and time spent.
- ☐ Use specific, meaningful billing descriptions rather than vague entries.
- ☐ Avoid duplicate billing and unnecessary or excessive work.
- ☐ Do not bill clerical or administrative tasks as substantive legal services.
- ☐ Document significant client communications and work performed.
- ☐ Track expenses separately from attorney fees.
- ☐ Obtain appropriate client authorization for additional work or expenses when required.
- ☐ Communicate material changes in anticipated fees and costs.
- ☐ Maintain accurate client trust account records and individual client ledgers.
- ☐ Monitor outstanding balances and address billing concerns promptly.

BEFORE SENDING AN INVOICE

- ☐ Verify the client name, matter number, and billing period.
- ☐ Review all time entries for accuracy and completeness.
- ☐ Confirm applicable hourly rates and mathematical calculations.
- ☐ Check for duplicate, excessive, or unsupported charges.
- ☐ Confirm that expenses are authorized, reasonable, and properly documented.
- ☐ Verify payments, credits, prior balances, and applicable trust account transfers.
- ☐ Ensure billing descriptions adequately identify the services performed.
- ☐ Protect attorney-client privileged communications and confidential information.
- ☐ Confirm that the invoice complies with the written engagement agreement.
- ☐ Verify that the amount billed accurately reflects fees earned and expenses properly chargeable to the client.

TRUST ACCOUNT COMPLIANCE

- ☐ Deposit advance payments and other client funds into the appropriate trust account, as required.
- ☐ Maintain a separate individual client ledger for each client's funds.
- ☐ Reconcile trust accounts regularly and retain supporting reconciliation records.
- ☐ Transfer earned fees from trust to the operating account only when properly earned and authorized.
- ☐ Maintain supporting documentation for all deposits, withdrawals, and disbursements.
- ☐ Promptly investigate and address discrepancies, shortages, and overdrafts.
- ☐ Keep disputed funds in trust until the dispute is resolved, while promptly disbursing any undisputed amounts as required.
- ☐ Ensure client funds are not commingled with law firm operating funds.
- ☐ Maintain records necessary to substantiate each client's trust account balance.

WHEN REPRESENTATION ENDS

- ☐ Prepare a final invoice and complete accounting of the client's matter.
- ☐ Identify outstanding fees, authorized expenses, and payments received.
- ☐ Return unearned fees and unused expense deposits as required.
- ☐ Disburse remaining client funds appropriately.
- ☐ Provide client property and file materials as required by applicable professional obligations.
- ☐ Complete a final trust account reconciliation.
- ☐ Resolve outstanding trust account balances and disputed funds appropriately.
- ☐ Retain required financial, billing, trust accounting, and client records in accordance with applicable retention requirements.
- ☐ Document the conclusion of the representation and the disposition of client funds and property.

THE FIVE CORE PRINCIPLES OF LEGAL BILLING COMPLIANCE

1. Transparency: Clearly communicate fees, billing practices, and anticipated expenses.
2. Accuracy: Record and charge only for services actually performed and expenses properly incurred.
3. Reasonableness: Ensure fees and costs are reasonable and consistent with the engagement agreement.
4. Accountability: Maintain complete and accurate billing and trust accounting records.
5. Client Protection: Safeguard client funds, property, confidential information, and legal interests throughout the representation.

THE STANDARD: Clear fee agreements. Accurate timekeeping. Reasonable charges. Proper trust accounting. Complete financial records.

Michigan practice reference: Attorneys and law firm personnel should consult with the Michigan Court Rules and Michigan Rules of Professional Conduct, together with applicable trust accounting and recordkeeping requirements.

APPENDIX B

PRACTICAL LEGAL BILLING EXAMPLES

TRAINING SCENARIOS FOR MICHIGAN ATTORNEYS AND LAW FIRM STAFF

The following scenarios illustrate practical billing practices designed to promote accurate timekeeping, reasonable fees, transparent client invoices, and proper handling of client funds. Each example identifies a common billing situation, explains the appropriate approach, and highlights an important practice point.

EXAMPLE 1: PROPER HOURLY BILLING

Scenario: An attorney charges $300 per hour and spends 1.5 hours reviewing discovery documents and preparing a case assessment.

Description	Hours	Rate	Total
Review discovery documents and prepare case assessment	1.5	$300	$450

Why this works:

- The services performed are specifically identified.
- The time spent is accurately recorded.
- The applicable hourly rate is disclosed.
- The resulting charge can be substantiated through contemporaneous timekeeping records.

Practice point: Record time as the work is performed whenever possible. Avoid reconstructing or estimating time entries at the end of the month.

EXAMPLE 2: IMPROVING VAGUE BILLING ENTRIES

Scenario: An attorney submits an invoice containing vague descriptions that do not adequately explain the services performed.

Insufficient Description	Best Practice Description
Work on File	Review pleadings and assess outstanding discovery issues
Phone Call	Telephone conference with client regarding settlement options
Research	Research Michigan case law regarding contractual enforceability
Drafting	Draft and revise motion for summary disposition
Email	Review and respond to opposing counsel's correspondence concerning scheduling

Why this matters: Clients should be able to understand the services for which they are being charged. Billing descriptions should provide meaningful information without unnecessarily disclosing confidential attorney-client communications, privileged information, or protected attorney work product.

Practice point: Use descriptions that identify the nature and purpose of the work without revealing confidential case strategy or sensitive client information.

EXAMPLE 3: AVOIDING DOUBLE BILLING

Scenario: Two attorneys attend a one-hour client meeting, and each attorney bills one hour for attendance.

Potential problem: Billing multiple timekeepers for the same meeting is not automatically improper. However, the combined charge must be reasonable and reflect legitimate services performed. Unnecessary duplication of professional effort may result in an unreasonable fee.

Better approach:

- Determine whether both attorneys' participation was reasonably necessary.
- Consider whether the client was informed about the anticipated staffing arrangement.
- Ensure that the combined charge is reasonable under the circumstances.
- Identify each attorney's respective role and contribution in the billing entries.

Example billing:

Timekeeper	Description	Hours	Rate	Total
Senior Attorney	Client strategy conference	1.0	$350	$350
Associate Attorney	Client strategy conference and case-specific analysis	1.0	$250	$250
	Total	**2.0**		**$600**

The entries should reflect legitimate, separately performed services rather than duplicative billing for the same work.

Practice point: Multiple attorneys may appropriately bill for participating in the same event when their involvement is reasonably necessary. The reasonableness of the total fee remains the controlling consideration.

EXAMPLE 4: PROPER TREATMENT OF ADVANCE FEES

Scenario: A client pays $5,000 before the attorney begins performing legal services. The written fee agreement identifies the payment as an advance against future legal fees.

Appropriate process:

- Deposit the advance payment into the appropriate client trust account.
- Record the deposit in the individual client trust ledger.
- Perform legal services and accurately record the time spent.
- Prepare and provide an invoice identifying the fees earned.
- Transfer the properly earned amount from the trust account to the firm's operating account.
- Maintain the remaining unearned balance in the client trust account.

Example trust accounting:

Transaction	Amount
Initial advance payment	$5,000
Fees earned and properly transferred	($1,500)
Remaining trust balance	$3,500

Practice point: Receiving an advance payment does not automatically mean the entire payment has been earned. The attorney must follow the fee agreement, applicable Michigan trust accounting requirements, and the rules governing the treatment of client funds.

EXAMPLE 5: BILLING FOR CLIENT EXPENSES

Scenario: An attorney pays the following expenses on behalf of a client:

Expense	**Amount**
Court filing fee	$175
Deposition transcript	$325
Process server	$85
Total expenses	**$585**

The attorney should:

- Maintain documentation supporting each expense.
- Confirm that the expense is authorized under the fee agreement.
- Accurately identify the expense on the client's invoice.
- Charge the client appropriately and consistently with the applicable agreement and professional obligations.

Practice point: Do not automatically add administrative markups or surcharges to third-party expenses. Any additional charge should be authorized, properly disclosed, and consistent with applicable professional conduct requirements.

EXAMPLE 6: FLAT-FEE REPRESENTATION

Scenario: An attorney agrees to handle an uncontested legal matter for a flat fee of $2,500.

The written engagement agreement should clearly identify:

- The legal services included in the flat fee.
- Services specifically excluded.
- Additional expenses or charges, if applicable.
- Payment arrangements and timing.
- When and under what conditions the fee is earned.
- How unearned funds will be handled if the representation terminates.

Potential problem: The attorney characterizes the entire $2,500 as nonrefundable before performing any legal services.

Better approach: Clearly distinguish an advance payment for future legal services from a properly structured earned-on-receipt or availability-based fee arrangement.
The attorney should ensure that the fee arrangement complies with Michigan Rule of Professional Conduct 1.5, applicable trust accounting requirements, and any other relevant professional obligations.

Practice point: A flat fee does not automatically become earned merely because it is described as nonrefundable in the engagement agreement. The substance of the arrangement and applicable professional conduct requirements control.

EXAMPLE 7: HANDLING A BILLING DISPUTE

Scenario: A client questions a $900 invoice and believes the attorney charged for work that was never performed.

Recommended response:

- Review the written engagement agreement.
- Examine the billing entries and supporting timekeeping records.
- Verify that the services charged were actually performed.
- Explain the charges to the client in understandable terms.
- Correct any inaccurate or unsupported entries.
- Document the review and resolution of the dispute.
- Address any disputed client trust funds in accordance with MRPC 1.15 and applicable requirements.

Practice point: Treat a billing complaint as an opportunity to identify and resolve a potential problem, not simply as a collection issue. Prompt investigation and clear communication can help prevent misunderstandings from escalating.

EXAMPLE 8: NONPAYMENT AND WITHDRAWAL FROM REPRESENTATION

Scenario: A client has failed to pay three consecutive monthly invoices.
Potential problem: The attorney immediately stops working on the matter without considering pending deadlines, court requirements, or the potential consequences to the client.

Better approach:

- Review the engagement agreement and applicable payment provisions.
- Communicate with the client regarding the outstanding balance.
- Evaluate whether withdrawal is permitted under MRPC 1.16.
- Consider potential prejudice to the client and any upcoming deadlines.
- Provide appropriate notice to the client.
- Obtain court permission when required.
- Take reasonable steps to protect the client's interests.
- Properly safeguard and return client property, papers, and funds as required.

Practice point: Nonpayment does not automatically authorize an attorney to abandon a client's matter. Withdrawal must comply with applicable professional conduct rules and court requirements.

QUICK BILLING CALCULATION EXERCISES

Use the following exercises to reinforce accurate billing calculations for attorneys and law firm staff.

Exercise	Calculation	Answer
2.0 hours at $275/hour	2 x $275	$550
1.5 hours at $350/hour	1.5 x $350	$525
0.6 hours at $225/hour	0.6 x $225	$135
3.2 hours at $300/hour	3.2 x $300	$960
$1,200 fee + $350 expenses	$1,200 + $350	$1,550

Training objective: Attorneys and staff should be able to independently verify time entries, hourly calculations, expense totals, and invoice balances before billing clients.

FINAL BILLING REVIEW: FIVE QUESTIONS BEFORE EVERY INVOICE

Before sending an invoice to a client, ask:

1. Services performed: Did we actually perform the work identified in the billing entry?
2. Accurate timekeeping: Is the time accurately recorded and the amount charged reasonable?
3. Expenses: Are the expenses authorized, properly documented, and accurately charged?
4. Fee agreement: Does the invoice comply with the written engagement agreement?
5. Client transparency: Would the client understand what we charged and why?

THE PROFESSIONAL BILLING STANDARD

- Accurate Work.
- Reasonable Fees.
- Transparent Invoices.
- Proper Handling of Client Funds.

The objective: Every legal bill should accurately reflect the services performed, comply with the fee agreement, satisfy applicable professional conduct requirements, and provide the client with a clear and understandable accounting of the charges.

Disclaimer: Michigan practice note: These scenarios are educational examples, not substitutes for reviewing the current Michigan Rules of Professional Conduct, applicable court rules, and trust accounting requirements.