

What Is LEDES Billing for Law Firms?



Though LEDES billing has been a common legal billing format for law firms for over two decades, it's not uncommon for lawyers with years of experience to have trouble navigating its intricate formulas.

If a lawyer's only interaction with the billing process is time tracking, they may not have an understanding of what LEDES billing is or the various LEDES formats. However, for partners, administrators, and lawyers looking to enhance their skill set, a basic understanding of LEDES is essential.

Definition of LEDES Billing Format

[Legal Electronic Data Exchange Standard \(LEDES\)](#) is a billing format created by the Legal Electronic Data Exchange Standard Oversight Committee in 1995. Its purpose is to create and maintain open standard formats for the electronic exchange of billing and other information between corporations and law firms.

Why Do Law Firms Use LEDES Billing Format?

The Legal Electronic Data Exchange Standard Oversight Committee created LEDES as a standard for billing practices for law firms, legal industry software vendors, and corporations. The goal was to have a uniform standard to keep bills simple and straightforward for clients while also preventing lawyers from providing excess information on the invoices.

The LEDES codes, otherwise known as the [Uniform Task-Based Management System \(UTBMS\)](#), were created with these principles:

- Keep the billing process simple
- Make bills unambiguous to reduce questions and confusion
- Allow minimal deviation from existing legal billing formats
- Only require data that law firms can provide from their existing financial systems
- Meet the billing needs of the law firm and the larger legal industry

UTBMS codes classify legal services that the law firm performs and submits as an invoice.

There are three types of codes:

- **Task codes:** These are a granular description of the service provided by an area of law.
- **Activity codes:** These are codes that identify the specific service performed.
- **Expense codes:** These categorize expenses for the law firm.

Instead of grouping costs into general areas that can prompt uncertainty, distrust, and disputes, the LEDES billing process relies on specifics. A LEDES file with task and activity codes categorizes costs even further.

For example, a LEDES invoice may have the following UTBMS codes:

- L310 Written Discovery
- L329 Document Production
- L330 Depositions
- A102 Research
- A106 Communicate
- E112 Court Fees
- E115 Deposition Transcripts

This format shows exactly how and where money is spent, relieving the concern of the client and offering opportunities to optimize expenses. For example, you can determine if too much time was spent on a task that could be outsourced or crack down on lawyers taking exorbitant amounts of time on specific tasks.

Benefits of LEDES Billing Format

There are numerous benefits to the LEDES billing for law firms, including:

- Standardized legal billing globally and consistent invoice formats
- Better overview of legal spending, including hourly billing and expenses
- Easier tracking for the legal department
- Lower the risk of receiving invoices in non-standardized ways, such as paper or PDF
- Decreases invoice processing time and payment — law firms get paid faster
- Enables quick access and data reporting on individual line items and details
- Simplifies audits for billing compliance
- Minimize client billing disputes
- Compile invoices accurately
- Capture and present important data to firm stakeholders and clients

The goal with LEDES may have been clarity, but having a standardized process for billing makes the entire system more efficient.

Types of LEDES Billing Formats

The LEDES Oversight Committee created several different [LEDES billing format types](#) to standardize e-billing across the legal industry.

- **LEDES 1998:** This format was created in 1998 to bring a standard billing structure to legal e-billing, but it was later replaced by LEDES 1998B.
- **LEDES XML 2000:** This format was introduced in 2000 and contains much more information than the 1998 format. It was retired on March 1, 2022, and included 125 data fields with 7 segments.
- **LEDES XML 2.0:** In 2006, the fields for the XML were increased to 153 and 8 additional segment types were included, bringing the total segments to 15.
- **LEDES XML 2.1:** In 2008, XML 2.1 was released to accommodate alternative fee arrangements and the varying math that's used with timekeeping software and third-party e-billing systems. The math logic was standardized across systems with legal e-billing. This version also has more

comprehensive tax support and data elements.

- **LEDES XML 2.2:** In 2020, XML 2.2 was released to support tiered taxes, which increased the segments to 18 and the data elements to 205.

It's important to note that not all software vendors may offer all format types. When you're considering e-billing software, look for a solution that accepts the most commonly used LEDES file formats.

How Legal Billing Software Automates LEDES Billing for Law Firms

The legal billing software that works with LEDES format allows you to incorporate automation in the invoice review process and take control of your expenses and spending. Bill4Time legal billing software allows lawyers to [track time](#) and [manage billing](#), and [automatically generate invoices](#) that incorporate the LEDES format according to the exact specifications of the LEDES billing system.

The process is streamlined — all you have to do is input the specific data for the LEDES format, including:

- Tax ID information
- LEDES Timekeeper ID and LEDES Classification
- Task and activity codes
- Timekeeping hourly rate
- Bill delivery method
- Client LEDES IDs
- Delivery email addresses
- Client matter IDs

With intuitive legal billing software like Bill4Time, you're guided through the processes to ensure compliance with LEDES formatting.

LEDES can be complicated to work with, especially if you're doing it manually. [E-billing](#) and law practice management software offers the support you need to track and export invoices in the correct formats.

For staff compliance, you can enable LEDES in the system settings and turn it on or off for each client. There are LEDES-specific fields that help with [exporting the data](#) into the LEDES billing format that's appropriate.

How to Export LEDES in Bill4Time

[Exporting LEDES](#) is easy in Bill4Time. For our Legal Pro users, LEDES exporting will not be enabled by default. To unlock LEDES exporting on the Legal Pro plan, please follow the instructions below:

1. Click your name in the upper right-hand corner of the screen in Bill4Time
2. Click on “Settings” > “System” tab > blue “Edit Settings” button
3. Check the box next to “Enable LEDES File Export”
4. Enter your “Firm Federal Taxpayer ID”
5. Click “Save”

Once LEDES exporting is enabled, you can easily [make an invoice in LEDES format](#).

Standardize Your LEDES Billing

Billing in LEDES ensures that your law firm is compliant and following the standardized conventions for timekeepers, tasks, and processes. When you have the data you need, you can boost productivity, increase utilization rate, and eliminate revenue leakage.

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