



HOUSE BILL 1034

By Alexander

AN ACT to amend Tennessee Code Annotated, Title 50;
Title 63 and Title 68, relative to covenants not to
compete.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Title 50, Chapter 1, Part 2, is amended by adding the following as a new section:

Except as otherwise provided in § 63-6-204(f)(2), a restriction on the right of an employee or contractor to practice the employee's or contractor's profession upon termination or conclusion of the employment or contractual relationship is void and unenforceable in this state.

SECTION 2. Tennessee Code Annotated, Section 63-1-148, is amended by deleting the section.

SECTION 3. Tennessee Code Annotated, Section 63-6-204(f)(2)(B), is amended by deleting ", except as allowed by § 63-1-148 or any successor section".

SECTION 4. Tennessee Code Annotated, Section 63-6-204(g)(2), is amended by deleting ", except as allowed by § 63-1-148 or any successor section".

SECTION 5. Tennessee Code Annotated, Section 63-6-204(g)(3), is amended by deleting "Notwithstanding § 63-1-148 or any successor section, in" and substituting instead "In".

SECTION 6. Tennessee Code Annotated, Section 68-11-205(c)(2), is amended by deleting ", except as allowed by § 63-1-148 or any successor section".

SECTION 7. Tennessee Code Annotated, Section 68-11-205(c)(3), is amended by deleting "Notwithstanding § 63-1-148 or any successor section, in" and substituting instead "In".

SECTION 8. Tennessee Code Annotated, Section 68-11-205(f)(2), is amended by deleting "; provided, such restriction complies with 63-1-148".

SECTION 9. This act takes effect July 1, 2025, the public welfare requiring it, and applies to contracts entered into or amended on or after that date.

Amendment No. 2 to HB1034

Vaughan
Signature of Sponsor

AMEND Senate Bill No. 995*

House Bill No. 1034

by deleting all language after the enacting clause and substituting:

SECTION 1. Tennessee Code Annotated, Title 50, Chapter 1, Part 2, is amended by adding the following as new sections:

50-1-210. Reasonableness in time of restrictive covenants — Rebuttable presumptions.

(a) In determining the reasonableness in time of a restrictive covenant sought to be enforced after the termination of an employment or business relationship, a court shall apply the rebuttable presumptions established in this section. A court shall presume that a time restraint greater than the applicable restraint described in subdivision (b)(1), (b)(2), or (b)(3) is unreasonable.

(b)

(1) A court shall presume to be reasonable in time a restraint sought to be enforced against a former employee or independent contractor that:

(A) Is two (2) years or less in duration, measured from the date the employment or business relationship terminates; and

(B) Is not associated with the sale or ownership of all or a material part of:

(i) The assets of a business, professional practice, or other commercial enterprise;

(ii) The shares of a corporation;

(iii) A partnership interest;

(iv) A membership interest in a limited liability company; or

(v) Any other equity interest or right to receive profits in a business, professional practice, or other commercial enterprise.

(2) A court shall presume to be reasonable in time a restraint three (3) years or less in duration, measured from the date of termination of the business relationship in the case of a restrictive covenant sought to be enforced against a current or former distributor, dealer, franchisee, lessee of real or personal property, or licensee of a trademark, trade dress, or service mark, and not associated with the sale of all or a material part of:

(A) The assets of a business, professional practice, or other commercial enterprise;

(B) The shares of a corporation;

(C) A partnership interest;

(D) A membership interest in a limited liability company; or

(E) Any other equity interest or right to receive profits in a business, professional practice, or other commercial enterprise.

(3) A court shall presume to be reasonable in time a restraint that is the longer of five (5) years or less, or a period equal to the time during which payments are made to the owner or seller, in the case of a restrictive covenant sought to be enforced against the owner or seller of all or a material part of:

(A) The assets of a business, professional practice, or other commercial enterprise;

(B) The shares of a corporation;

(C) A partnership interest;

(D) A membership interest in a limited liability company; or

(E) Any other equity interest or right to receive profits in a business, professional practice, or other commercial enterprise.

(c) This section does not prohibit an employer from enforcing:

- (1) A confidentiality or nondisclosure agreement;
- (2) A client or customer nonsolicitation agreement; or
- (3) An employee nonsolicitation agreement.

(d) A court may modify a restrictive covenant governed by this section to render it reasonable and enforceable.

50-1-211. Prohibition on noncompete agreements for employees earning less than seventy thousand dollars annually.

(a) Notwithstanding a law to the contrary, an employer shall not require, request, or enforce a noncompete agreement against an employee whose annualized compensation is less than seventy thousand dollars (\$70,000).

(b) As used in this section:

(1) "Annualized compensation" means the total compensation an employee earns from the employer, including wages, salary, commissions, nondiscretionary bonuses, and other forms of remuneration, calculated on an annualized basis; and

(2) Annualized compensation for an hourly employee must be calculated by multiplying the employee's hourly rate by forty (40) and multiplying the product by fifty-two (52).

(c) A noncompete agreement executed in violation of this section is void and unenforceable as a matter of public policy.

SECTION 2. The headings in this act are for reference purposes only and do not constitute a part of the law enacted by this act. However, the Tennessee Code Commission is requested to include the headings in any compilation or publication containing this act.

SECTION 3. This act takes effect July 1, 2026, the public welfare requiring it, and applies to proceedings occurring and agreements entering into, renewed, or amended, on or after that date.