

Tennessee

Tennessee Enacts Noncompete Restrictions

On May 7, 2026, Tennessee enacted [House Bill \(HB\) 1034](#), as [amended](#), which establishes a framework governing the enforceability of noncompete agreements. The law takes effect on **July 1, 2026**, and applies to any agreement entered into, renewed or amended on or after that date.

Overview of Noncompete Restrictions

The new law contains several provisions, including the following.

Compensation Threshold

Employers are prohibited from requiring, requesting or enforcing noncompete agreements against employees who earn less than \$70,000 annually. The law defines **compensation** broadly to include wages, salary, commissions, nondiscretionary bonuses and other forms of remuneration calculated on an annualized basis. In addition, the law requires the annualized compensation for an hourly employee to be calculated by multiplying the employee's hourly rate of pay by 40, then multiplying the result by 52.

Any noncompete agreement executed in violation of these provisions is void and unenforceable as a matter of public policy.

Rebuttable Presumptions Regarding Reasonableness in Duration

The new law creates rebuttable presumptions regarding the reasonableness in time of a restrictive covenant an employer seeks to enforce after the termination of employment or a business relationship. Under HB 1034, a court will presume that a time restraint greater than the following is unreasonable:

- Two years for employees and independent contractors, measured from the date the employment or business relationship terminates;
- Three years for distributors, dealers, franchisees, lessees and licensees, measured from the date the business relationship terminates; and
- Five years or a period equal to the time during which payments are made to the owner or seller, whichever is longer, for owners or sellers of business interests.

Courts may modify a restrictive covenant to render it reasonable and enforceable.

Confidentiality, Nondisclosure and Nonsolicitation Agreements

Highlights

May 7, 2026

Tennessee enacts HB 1034, which bans certain noncompete agreements.

July 1, 2026

HB 1034 takes effect.

The new law clarifies that employers may still use and enforce confidentiality or nondisclosure agreements, client or customer nonsolicitation agreements, or employee nonsolicitation agreements.

Employer Takeaways

Employers may consider reviewing existing employee agreements to determine whether any contain noncompete provisions that would be invalidated under the law. Employers may also begin preparing revisions to such agreements and consider whether to use alternatives to noncompete provisions (e.g., nondisclosure provisions) to protect competitive business information.