ENGAGE PEO

Client Alert

Tennessee Enacts New Restrictions on Non-Compete Agreements

WHAT'S NEW: Tennessee enacted a new law significantly changing the landscape of non-compete agreements. Effective on **July 1, 2026**, the law applies to non-compete agreements signed, renewed, or amended on or after that date.

WHY IT MATTERS: Key changes under the new law include:

- **Prohibitions.** The new law bans non-compete agreements for employees earning less than $70,000 per year. The prohibition extends to requiring, requesting, or enforcing a non-compete.
- **Reasonableness Presumption.** Non-compete agreements of 2 years or less for employees will be considered reasonable, while longer restrictions will be presumed unreasonable.

Employers may still use confidentiality and non-solicitation agreements, and courts retain the ability to narrow overly broad restrictions.

WHAT EMPLOYERS SHOULD DO: This law significantly reduces the number of employees who can be subject to non-compete agreements while also providing greater clarity with regard to the enforceability of non-competes. Overall, employers will need to rethink their approach to protecting confidential information, customer relationships, and workforce stability.

While the law does not automatically invalidate non-compete agreements or provisions in contracts that were signed before July 1, 2026, employers should review all onboarding documents and contracts to determine if any non-compete agreements or provisions are included. Employers should work with counsel to amend any relevant agreements or provisions to ensure compliance with the new law beginning on July 1, 2026.

If you have any questions, please contact your HR Business Partner/Consultant.