

HOUSE BILL 2905

By Kumar

AN ACT to amend Tennessee Code Annotated, Title 56, Chapter 7, Part 1, relative to an exception from the definition of a contract of insurance for tax preparation service company warranty contracts.

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

SECTION 1. Tennessee Code Annotated, Section 56-7-101, is amended by deleting subdivision (b)(3)(A) and substituting:

A contract entered into between a tax preparation service company and a taxpayer providing for the tax preparation service company to pay the additional tax liability, penalties, or interest imposed by a taxing authority on the taxpayer as a result of an error of the tax preparation service is not a contract of insurance; provided, that the tax preparation service has secured coverage under a contractual liability insurance policy on a form approved by the commissioner and issued by an insurance company licensed in this state or a surety bond on a form approved by the commissioner and issued by an insurance company licensed in this state for a penal sum in an amount to be determined by the commissioner, which amount must be not less than one hundred thousand dollars (\$100,000), but not more than five hundred thousand dollars (\$500,000), with respect to the statewide operations of the tax preparation service and its franchisees engaged in the tax preparation business. In the alternative, the commissioner may accept a deposit of cash or securities in an amount not less than one hundred thousand dollars (\$100,000), but not more than five hundred thousand dollars (\$500,000). The contractual liability insurance policy, bond, or deposit is subject to suit by this state and by a person who has a cause of action arising from a contract subject to this subdivision (b)(3).

SECTION 2. This act takes effect July 1, 2024, the public welfare requiring it.