



State of Tennessee

PUBLIC CHAPTER NO. 753

SENATE BILL NO. 2843

By Niceley

Substituted for: House Bill No. 2859

By Vaughan

AN ACT to amend Tennessee Code Annotated, Title 47, Chapter 18, Part 3, relative to health clubs.

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

SECTION 1. Tennessee Code Annotated, Section 47-18-305(a)(5)(B), is amended by deleting the subdivision and substituting the following:

(B) Contain in boldface type, the following statements in separated paragraphs:

(i) IN ADDITION TO ANY OTHER REMEDIES PROVIDED BY LAW, IF THIS HEALTH CLUB CEASES OPERATION AND FAILS TO OFFER YOU (THE BUYER) AN ALTERNATE LOCATION WITHIN FIFTEEN (15) MILES, WITH NO ADDITIONAL COST TO YOU, THEN NO FURTHER PAYMENTS SHALL BE DUE TO ANYONE, INCLUDING ANY PURCHASER OF ANY NOTE ASSOCIATED WITH OR CONTAINED IN THIS CONTRACT.

(ii) STATE LAW REQUIRES THAT ANY HEALTH CLUB AGREEMENT THAT IS NOT CANCELLABLE ON THIRTY (30) DAYS' NOTICE OR LESS BE PAYABLE ONLY IN THE FOLLOWING MANNER, AND ANY HEALTH CLUB THAT ENTERS INTO HEALTH CLUB AGREEMENTS SHALL OFFER BOTH PAYMENT OPTIONS AT THE SAME PRICE, EXCLUDING INTEREST OR FINANCE CHARGES OR OTHER EQUIVALENT CHARGES THAT SHALL NOT EXCEED EIGHTEEN PERCENT (18%) OF THE TOTAL CONTRACT PRICE:

(a) Full payment within ninety (90) days after entering into the health club agreement; or

(b) Equal monthly installments with any down payment (unless exempt as provided by law) limited to thirty percent (30%) of the total cost of the agreement. Prepayment is allowed at any time with full refund of unearned finance charges.

(iii) PLEASE READ THIS CONTRACT CAREFULLY. THIS CONTRACT MAY CONTAIN PAYMENTS INCLUDING, BUT NOT LIMITED TO, ENROLLMENT FEES, ANNUAL FEES, MEMBERSHIP FEES, AND OTHER DIRECT PAYMENTS TO THE HEALTH CLUB, INCLUDING FULL PAYMENT FOR THE HEALTH CLUB AGREEMENT OR MONTHLY INSTALLMENT PAYMENTS WITH ANY DOWN PAYMENT (UNLESS EXEMPT AS PROVIDED BY LAW) LIMITED TO THIRTY PERCENT (30%) OF THE TOTAL COST OF THE AGREEMENT, AND, IN THE CASE OF INSTALLMENT PAYMENTS THAT ARE NOT MADE BY ELECTRONIC FUND TRANSFER OR CASH, AN ADMINISTRATIVE CHARGE, NOT TO EXCEED FIVE DOLLARS (\$5.00) FOR EACH BILLING PERIOD. ALL SUCH PAYMENTS MUST BE DISCLOSED IN THE CONTRACT.

(iv) THERE ARE NO AUTOMATIC OR LIFETIME RENEWALS OF THE TERM INCIDENT TO THE TERM OF THIS CONTRACT. IF THE HEALTH CLUB PROVIDES FOR A RENEWAL OPTION, THEN, UNLESS SUCH RENEWAL TERM IS CANCELLABLE ON THIRTY (30) DAYS' NOTICE OR LESS, SUCH OPTION MUST BE AFFIRMATIVELY AGREED TO IN WRITING BY THE BUYER AT THE

BEGINNING OF THE RENEWAL PERIOD. IF THE HEALTH CLUB FACILITY IS LESS THAN OR EQUAL TO TEN THOUSAND (10,000) SQUARE FEET (GROSS) OF BUILDING SPACE, THEN THE ANNUAL COST OF SUCH RENEWAL SHALL NOT BE LESS THAN THIRTY PERCENT (30%) OF THE ANNUALIZED COST OF THE BASE MEMBERSHIP CONTRACT OR SEVENTY-FIVE DOLLARS (\$75), WHICHEVER IS GREATER. HOWEVER, IF THE HEALTH CLUB FACILITY IS GREATER THAN TEN THOUSAND (10,000) SQUARE FEET (GROSS) OF BUILDING SPACE, THEN THE ANNUAL COST OF SUCH RENEWAL SHALL NOT BE LESS THAN THIRTY PERCENT (30%) OF THE ANNUALIZED COST OF THE BASE MEMBERSHIP CONTRACT OR ONE HUNDRED TWENTY-FIVE DOLLARS (\$125), WHICHEVER IS GREATER. PAYMENT OF ANY RENEWAL SHALL BE MADE AS REQUIRED BY *TENNESSEE CODE ANNOTATED, SECTION 47-18-305(a)(5)(B)(ii)*.

(v) A CONTRACT OR AGREEMENT MAY HAVE A CONTINUING PROVISION OR STIPULATION THAT PROVIDES FOR A MONTH-TO-MONTH CONTINUATION OF THE INITIAL TERM OF THE AGREEMENT, PROVIDED THE BUYER HAS THE RIGHT TO CANCEL THE CONTINUING PORTION OF THE AGREEMENT AFTER FULFILLING THE ORIGINAL TERM OF THE AGREEMENT BY TENDERING THIRTY (30) DAYS' WRITTEN NOTICE OF SUCH INTENT TO THE OPERATOR BY REGISTERED MAIL. IF SUCH CONTRACTUAL OBLIGATION HAS A CONTINUING PROVISION OR STIPULATION AFTER A REQUIRED INITIAL TERM OF MORE THAN TWO (2) MONTHS, NOTIFICATION MUST BE SENT BY THE HEALTH CLUB OPERATOR TO CONFIRM THAT THE ORIGINAL OBLIGATION WAS FULFILLED AND TO REAFFIRM THE MONTH-TO-MONTH OR CONTINUING PROVISION OR STIPULATION. SUCH NOTIFICATION SHALL ALSO INCLUDE NOTICE OF THE BUYER'S RIGHT TO CANCEL THE CONTINUING MONTH-TO-MONTH OBLIGATION UPON THIRTY (30) DAYS' WRITTEN NOTICE SENT BY THE BUYER TO THE OPERATOR BY REGISTERED MAIL.

(vi) ANY RENEWAL RIGHT GRANTED UNDER THIS CONTRACT SHALL EXPIRE ON THE FINAL DAY OF THE AGREEMENT. HOWEVER, THE BUYER SHALL HAVE A THIRTY (30) DAY GRACE PERIOD FROM THE DATE OF THE EXPIRATION OF THE RENEWAL RIGHT IN WHICH TO EXERCISE ANY RENEWAL RIGHT GRANTED TO THE BUYER UNDER THIS CONTRACT. THE OPERATOR SHALL HAVE THE RIGHT TO CHARGE A LATE PENALTY OF UP TO TWENTY-FIVE DOLLARS (\$25) IF THE RENEWAL RIGHTS ARE NOT EXERCISED ON OR BEFORE THE EXPIRATION DATE AS STIPULATED IN THE AGREEMENT OR ANY FUTURE RENEWAL PERIODS.

SECTION 2. This act shall take effect upon becoming a law, the public welfare requiring it, and applies to health club agreements entered into, renewed, or amended on or after the effective date of this act.

SENATE BILL NO. 2843

PASSED: June 16, 2020


RANDY McNALLY
SPEAKER OF THE SENATE


CAMERON SEXTON, SPEAKER
HOUSE OF REPRESENTATIVES

APPROVED this 22nd day of June 2020


BILL LEE, GOVERNOR