



# State of Tennessee

## PUBLIC CHAPTER NO. 337

HOUSE BILL NO. 1049

By Mr. Speaker Sexton and Representatives Cepicky, Smith, Doggett

Substituted for: Senate Bill No. 240

By Senator Gardenhire

AN ACT to amend Tennessee Code Annotated, Section 10-7-503 and Section 29-20-401, relative to audits.

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

SECTION 1. Tennessee Code Annotated, Section 10-7-503(d), is amended by deleting the subsection and substituting instead the following:

(d)

(1) As used in this subsection (d), "organization" means an association or nonprofit corporation authorized by the laws of this state that:

(A) Was established for the benefit of local government officials or counties, cities, towns, or other local governments or as a municipal bond financing pool;

(B) Receives dues, service fees, or any other income from local government officials or local governments that constitute at least thirty percent (30%) of its total annual income; and

(C) Is authorized under state law to obtain coverage for its employees in the Tennessee consolidated retirement systems.

(2) The records of an organization are confidential and are not open for inspection under subsection (a) if the organization complies with the following requirements:

(A) The comptroller of the treasury or the comptroller's designee audits the organization annually;

(B) The cost of the audit is paid by the organization;

(C) Each audit is completed as soon as practicable after the end of the fiscal year of the organization; and

(D) In addition to other information required by the comptroller of the treasury, each audit contains:

(i) A listing, by name of the recipient, of all compensation, fees, or other remuneration paid by the organization, or any other organization during the audit year to, or accrued on behalf of, the organization's directors and officers;

(ii) A listing, by name of recipient, of all compensation and any other remuneration paid by the organization during the audit year to, or accrued on behalf of, an employee of the organization who receives more than twenty-five thousand dollars (\$25,000) in remuneration for such year;

(iii) A listing, by name of beneficiary, of deferred compensation, salary continuation, retirement, or other fringe

benefit plan or program (excluding qualified health and life insurance plans available to all employees of the organization on a nondiscriminatory basis) established or maintained by the organization for the benefit of any of the organization's directors, officers, or employees, and the amount of any funds paid or accrued to such plan or program during the audit year; and

(iv) A listing, by name of recipient, of all fees paid by the organization during the audit year to a contractor, professional advisor, or other personal services provider, which exceed two thousand five hundred dollars (\$2,500) for such year. Such listing must also include a statement as to the general effect of each contract and must include each specific amount paid or payable thereunder.

(3) An audit conducted under subdivision (d)(2) must be made available for public inspection and copies of such audit must be made available to the press.

(4) The records of the following organizations are confidential and not subject to this subsection (d):

(A) An organization that employs less than three (3) full-time staff members; and

(B) An organization that was exempt from federal income taxation under § 501(c)(3) of the Internal Revenue Code, codified in 26 U.S.C. § 501(c)(3), as of January 1, 1998, and which makes available to the public its federal return of organization exempt from income tax (Form 990) in accordance with the Internal Revenue Code and related regulations.

(5) Subdivisions (d)(2)(D)(i)-(iv) do not require the disclosure of compensation or remuneration paid to a lobbyist registered with the Tennessee ethics commission who is registered to lobby for other employers in addition to being registered to lobby for the organization.

(6) Subdivisions (d)(2)(D)(i)-(iv) do not require the disclosure of compensation or remuneration paid to an attorney who is employed by a law firm and performs legal work for other employers in addition to performing legal work for the organization. This subdivision (d)(6) does not prohibit a requestor from obtaining the amounts of compensation or remuneration paid to an attorney on behalf of a political subdivision if the requestor requests the information directly from the political subdivision.

SECTION 2. Tennessee Code Annotated, Section 29-20-401(g)(1), is amended by deleting the subdivision and substituting instead the following:

An insurance pool, special fund, reserve fund, or legal or administrative entity administering any such pool or fund created and authorized under this section must be audited annually by the comptroller of the treasury or the comptroller's designee. The commissioner of commerce and insurance shall assist the comptroller in the audit upon the written request by the comptroller.

SECTION 3. This act takes effect upon becoming a law, the public welfare requiring it.

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PASSED: April 21, 2021



CAMERON SEXTON, SPEAKER  
HOUSE OF REPRESENTATIVES



RANDY MCNALLY  
SPEAKER OF THE SENATE

APPROVED this 4<sup>th</sup> day of May 2021



BILL LEE, GOVERNOR