

AN ACT to amend Tennessee Code Annotated, Title 8 and
Title 66, relative to the transfer of real property.

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

SECTION 1. Tennessee Code Annotated, Title 66, Chapter 27, Part 7, is amended by
adding the following as a new section:

66-27-707.

(a) As used in this section:

(1) "Nonprofit association" means a nonprofit property owners' association that has received a determination of exemption from the Internal Revenue Service under § 501(c)(4) of the federal Internal Revenue Code (26 U.S.C. § 501); and

(2) "Reserve fund" means a segregated account held by a nonprofit association for maintaining operating reserves, capital reserves, and emergency funds for the maintenance or improvement of the common property of the nonprofit association.

(b) This section applies to a nonprofit association that:

(1) Is responsible for the governance and common property maintenance for a residential community that contains at least five thousand (5,000) lots or units;

(2) Maintains private roads in its community or provides direct funding for certain maintenance of public roads in its community; and

(3) Provides direct funding for certain emergency services for the safety and protection of its property owner members.

(c)

(1) For any transfer, as defined in Tenn. Code Ann. § 66-27-701(12), of real property located within a community governed by a nonprofit association, the transferee shall pay a fee of five thousand dollars (\$5,000.00) to the nonprofit association. Notwithstanding the foregoing, any transferee that has owned real property and resided in the subject community for at least twenty-four (24) consecutive months immediately prior to an applicable transfer and is in good standing with the nonprofit association and the time of such transfer shall not be required to pay such fee to the nonprofit association.

(2) The nonprofit association shall deposit the fee prescribed in subdivision (c)(1) into a reserve fund and use the moneys from the fee exclusively for the maintenance, repair, or improvement of the nonprofit association's roads, utility infrastructure, or other common property infrastructure and facilities.

(3) The nonprofit association shall not apply the moneys from the fees collected pursuant to subdivision (c)(1) as an advance payment of any annual assessment owed by any member to the nonprofit association.

(d) A business entity, as defined in Tenn. Code Ann. § 66-27-701(1), that conducts the closing for a transfer of real property located within a community governed by a nonprofit association shall collect the fee prescribed in subdivision (c)(1) and remit it to the nonprofit association.

(e)

(1) If the fee prescribed in subdivision (c)(1) is not collected by a nonprofit association, a lien in favor of the nonprofit association attaches to the

transferred real property on the date of the transfer and remains until the fee is remitted to the nonprofit association by the transferee.

(2) If the fee is not remitted to the nonprofit association within ninety (90) days following the transfer, then the nonprofit association may suspend the membership rights of the transferee owner of the real property and seek enforcement of its lien by judicial foreclosure.

(f) A nonprofit association shall record notice of the fee prescribed by subdivision (c)(1) in the office of the register of deeds of each county in which the real property in a community governed by a nonprofit association is located. The notice of fee must state:

(1) The name, address, and phone number of the nonprofit association to which the infrastructure fee is required to be remitted;

(2) The fee obligation is intended to run with the land and to apply to all future transfers of real property located within the community governed by the nonprofit association;

(3) The nonprofit association shall use the fee exclusively to benefit its roads, utility infrastructure, or other common property infrastructure and facilities; and

(4) The business entity that conducts the closing for a transfer of the real property shall collect and remit the fee to the nonprofit association.

(g) This section only applies to a transfer of real property located within a community governed by a nonprofit association that has voted by a majority vote of its board of directors to impose the fee prescribed by subdivision (c)(1) on or after July 1, 2025. Thereafter, the nonprofit association board of directors shall vote in November of each year to determine whether or not the fee prescribed by subdivision (c)(1) shall be charged during the following calendar year. Any

decision by the nonprofit association board of directors not to charge the fee prescribed by subdivision (c)(1) for any particular calendar year shall not prejudice the right of the board of directors to charge such fee in any future calendar year.

SECTION 2. This act takes effect July 1, 2025, the public welfare requiring it, and applies to transfers occurring, and fees due and owing, on or after that date.