

118TH CONGRESS
1ST SESSION

S. _____

To amend the Internal Revenue Code of 1986 to prohibit audits based on Merchant Category Codes

IN THE SENATE OF THE UNITED STATES

Mr. THUNE introduced the following bill; which was read twice and referred to the Committee on _____

A BILL

To amend the Internal Revenue Code of 1986 to prohibit audits based on Merchant Category Codes

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Merchant Category
5 Code Neutrality Act”

6 **SEC. 2. PROHIBITION ON AUDITS BASED ON MERCHANT**
7 **CATEGORY CODES.**

8 Section 7602 of the Internal Revenue Code of 1986
9 is amended by adding at the end the following new sub-
10 section:

1 “(g) PROHIBITION OF AUDITS BASED ON MERCHANT
2 CATEGORY CODES.—

3 “(1) IN GENERAL.—The Secretary shall not
4 take any action described in paragraph (1), (2), or
5 (3) of subsection (a) based primarily on the Mer-
6 chant Category Codes, or other similar codes, used
7 to classify the goods or services provided or fur-
8 nished by the business of the respective taxpayer.

9 “(2) ANNUAL REPORT.—For each taxable year,
10 the Secretary shall issue a public report providing a
11 tally of each Merchant Category Code for any action
12 described in paragraph (1), (2), or (3) of subsection
13 (a) initiated in such year.

14 “(3) MERCHANT CATEGORY CODE.—The term
15 ‘Merchant Category Code’ means classification codes
16 assigned by payment card organizations to mer-
17 chants or payees that accept its payment cards to
18 classify the goods or services provided or furnished
19 by a merchant or payee.”.