

119TH CONGRESS  
1ST SESSION

**S.** \_\_\_\_\_

To amend the Internal Revenue Code of 1986 to provide an exemption from gross income for interest paid to taxpayers by the Internal Revenue Service following an audit or litigation in which the taxpayer prevailed.

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IN THE SENATE OF THE UNITED STATES

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Mrs. BLACKBURN introduced the following bill; which was read twice and referred to the Committee on \_\_\_\_\_

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**A BILL**

To amend the Internal Revenue Code of 1986 to provide an exemption from gross income for interest paid to taxpayers by the Internal Revenue Service following an audit or litigation in which the taxpayer prevailed.

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 “No Tax on Wrongful  
5 Delay Act of 2025”.

1 **SEC. 2. EXEMPTION FROM GROSS INCOME FOR INTEREST**  
2 **PAID TO TAXPAYERS FOLLOWING AUDIT OR**  
3 **LITIGATION.**

4 (a) IN GENERAL.—Part III of subchapter B of chap-  
5 ter 1 of the Internal Revenue Code of 1986 is amended  
6 by inserting before section 140 the following new section:

7 **“SEC. 139M. INTEREST PAID TO TAXPAYERS FOLLOWING AN**  
8 **AUDIT OR LITIGATION.**

9 “Gross income shall not include any interest which,  
10 pursuant to section 6611, is required to be paid upon any  
11 overpayment in respect of any internal revenue tax fol-  
12 lowing—

13 “(1) an examination pursuant to the provisions  
14 of section 7602,

15 “(2) any suit or proceeding brought by the tax-  
16 payer for the credit or refund of taxes, or

17 “(3) any civil action commenced by the United  
18 States for the collection or recovery of taxes.”.

19 (b) CONFORMING AMENDMENT.—The table of sec-  
20 tions for part III of subchapter B of chapter 1 of the In-  
21 ternal Revenue Code of 1986 is amended by inserting be-  
22 fore the item relating to section 140 the following new  
23 item:

“Sec. 139M. Interest paid to taxpayers following an audit or litigation.”.

1           (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to taxable years beginning after  
3 December 31, 2025.