



TaxNewsFlash

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IRS to waive dyed diesel fuel penalty in parts of Texas; wildfire-related relief

The IRS today—in response to disruptions to the supply of fuel for diesel powered highway vehicles resulting from wildfires—announced that it will not impose a penalty when dyed diesel fuel with a sulfur content that does not exceed 15 parts-per-million is sold for use or used by diesel-powered vehicles on the highway in certain counties in Texas.

According to today's [IRS release](#), the penalty relief—beginning on February 23, 2024, and remaining in effect through March 22, 2024—applies to the following counties in the state of Texas: Archer, Armstrong, Bailey, Baylor, Briscoe, Carson, Castro, Childress, Cochran, Collingsworth, Cottle, Crosby, Dallam, Deaf Smith, Dickens, Donley, Fannin, Floyd, Foard, Garza, Gray, Gregg, Hale, Hall, Hansford, Hardeman, Harrison, Hartley, Haskell, Hemphill, Hockley, Hutchinson, Kent, King, Knox, Lamb, Lipscomb, Lubbock, Lynn, Moore, Motley, Nacogdoches, Newton, Ochiltree, Oldham, Parmer, Potter, Randall, Roberts, Sherman, Stonewall, Swisher, Terry, Throckmorton, Upshur, Wheeler, Wichita, Wilbarger, Yoakum and Young.

The penalty relief is available to any person that sells or uses dyed diesel fuel in vehicles suitable for highway use.

- In the case of the operator of the highway vehicle in which the dyed diesel fuel is used, the relief is available only if the operator or the person selling such fuel pays the tax of 24.4 cents per gallon that is normally applied to un-dyed diesel fuel for highway use.
- The IRS will not impose penalties for failure to make semimonthly deposits of tax for dyed diesel fuel sold for use or used in diesel powered vehicles on the highway in the listed counties above in the state of Texas during the relief period.

In general, dyed diesel fuel is not taxed because it is sold for uses exempt from excise tax—e.g., to farmers for farming purposes, for home heating use, and to local governments.

For more information, contact a tax professional in the KPMG Excise Tax Practice group:

Taylor Cortright | tcortright@kpmg.com
Rachel Smith | rachelsmith1@kpmg.com

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