



TaxNewsFlash

United States

No. 2026-254
October 15, 2026

IRS provides dyed diesel fuel excise tax relief following President Trump's executive order

The IRS has [announced](#) that, in response to President Trump's October 5, 2026, [executive order](#), it will not impose a penalty when dyed diesel fuel is sold for use or used on highways nationwide.

The relief is retroactive to October 1, 2026, and will remain in effect until December 31, 2026. During the relief period, taxpayers need not maintain records necessary to substantiate their eligibility for relief.

The IRS further announced that it anticipates issuing further guidance regarding the postponement under section 7508A of payment of taxes imposed by sections 4041(a)(1)(A) or 4041(b)(1)(B) and will explore avenues to eliminate the obligation to pay any amounts deferred. Forthcoming IRS guidance will also detail how this relief applies to Form 720 (*Quarterly Federal Excise Tax Return*) and any other relevant forms.

KPMG observation

At present, the federal relief appears to provide for a deferral of tax rather than a tax holiday. Taxpayers may also want to consider operational issues when the federal relief expires after December 31, 2026. In particular, there may be challenges in flushing fuel lines so that no dye remains in a vehicle fuel tank and could result in a penalty risk beginning on January 1, 2027.

In addition, although many states have provided similar dyed diesel fuel relief, not all states have done so, and the scope of state relief may vary. Taxpayers therefore need to be cautious in traveling between states as one state may have granted relief, but another state may not have.

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

Taylor Cortright | tcortright@kpmg.com
Rachel Smith | rachelsmith1@kpmg.com
Mckenzie Mixon | mmixon@kpmg.com

kpmg.com/socialmedia



The information contained in TaxNewsFlash is not intended to be "written advice concerning one or more Federal tax matters" subject to the requirements of section 10.37(a)(2) of Treasury Department Circular 230, as the content of this document is issued for general informational purposes only, is intended to enhance the reader's knowledge on the matters addressed therein, and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

KPMG International Limited is a private English company limited by guarantee and does not provide services to clients. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm.

Direct comments, including requests for subscriptions, to [Washington National Tax](#). For more information, contact KPMG's Federal Tax Legislative and Regulatory Services Group at + 1 202.533.3712, 1801 K Street NW, Washington, DC 20006-1301.

To unsubscribe from TaxNewsFlash, reply to [Washington National Tax](#).

[Privacy](#) | [Legal](#)