



TaxNewsFlash

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IRS waives dyed diesel fuel penalty, Hurricane Michael-related shortages

The IRS today announced that because of shortages of undyed diesel fuel caused by Hurricane Michael, it will waive a penalty when dyed diesel fuel is sold for use or is used on the highway in Florida. This penalty relief is being made available by the IRS in response to shortages of undyed diesel fuel caused by Hurricane Michael.

According to the IRS release—[IR-2018-200](#)—the IRS will not impose a penalty when dyed diesel fuel is sold for use, or is used, on the highway in the state of Florida. This penalty relief is effective as of October 12, 2018, and will remain in effect through October 26, 2018.

Typically, dyed diesel fuel is not taxed because it is sold for uses that are exempt from excise tax—such as sales to farmers for farming purposes, for home heating use, and to local governments for buses. A penalty generally applies when dyed diesel fuel is used for non-exempt purposes.

For operators of vehicles in which the dyed fuel is used, the hurricane-related penalty relief is available only if the operator or the person selling the fuel pays the tax of 24.4 cents per gallon that is normally applied to diesel fuel for highway use. The IRS said that it will not impose penalties for failure to make semi-monthly deposits of this tax. Today's penalty waiver does not apply with respect to uses of adulterated fuels that do not comply with applicable EPA regulations. Consequently, diesel fuel with sulfur content higher than 15 parts-per-million may not be used in highway vehicles.

For more information, contact a tax professional with KPMG's Excise Tax Practice group:

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