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IRS announces waiver of dyed fuel penalty in Texas

The IRS today announced that it will not impose a penalty when dyed diesel fuel is sold for use or is used on the highway in Texas.

According to the [IRS release \(TX-2021-01, February 19, 2021\)](#), this relief is intended to minimize or prevent disruptions to the supply of fuel for diesel-powered highway vehicles because of severe winter weather conditions in Texas. This relief is effective retroactively to February 12, 2021, and will remain in effect through February 26, 2021.

The penalty relief is available to any person that sells or uses dyed fuel for highway use. In the case of the operator of the vehicle in which the dyed fuel is used, the 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 will not impose penalties for failure to make semimonthly deposits of this tax. As the IRS noted, dyed diesel fuel generally is not taxed because it is sold for uses exempt from excise tax—such as to farmers for farming purposes, for home heating use, and to local governments for buses.

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

Taylor Cortright | +1 (202) 533 6188 | tcortright@kpmg.com

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