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IRS offers dyed diesel fuel penalty relief in certain states, response to disruptions to fuel-supply chain

The IRS today announced that it will not impose a penalty when dyed diesel fuel is sold for use or used on the highway in Alabama, Delaware, Georgia, Florida, Louisiana, Maryland, Mississippi, North Carolina, Pennsylvania, South Carolina, Tennessee, Virginia, and the District of Columbia.

The penalty relief is offered in response to current disruptions to the fuel supply chain, is effective retroactively from May 7, 2021, and will remain in effect through May 21, 2021.

This penalty relief is available to any person that sells or uses dyed diesel fuel for highway use. In the case of the operator of the 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 diesel fuel for highway use.

The IRS also announced it will not impose penalties for failure to make semimonthly deposits of this tax.

Read [IR-2021-108](#) (May 13, 2021)

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

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