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IRS extends dyed diesel fuel penalty relief in Louisiana, response to hurricanes

The IRS today—in response to shortages of undyed diesel fuel caused by Hurricanes Ida and Nicholas—announced that it will extend penalty relief when dyed diesel fuel is sold for use or used on the highway.

The IRS on September 1, 2021, announced that due Hurricane Ida, it would not impose a penalty when dyed diesel fuel is sold for use or used on the highway for certain parishes in the state of Louisiana through September 15, 2021. Read [TaxNewsFlash](#)

Today's release—[IR-2021-187](#)—extends that relief through September 30, 2021.

Today's release also announces that, due to Hurricanes Ida and Nicholas, the IRS is providing dyed diesel fuel-penalty relief to the parishes of Acadia, Allen, Avoyelles, Beauregard, Calcasieu, Cameron, Evangeline, Jefferson Davis, Lafayette, Rapides, St. Landry, Vermilion, and Vernon. This additional penalty relief is effective as of August 29, 2021, and will remain in effect through September 30, 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 (as normally applied to diesel fuel for highway use). The IRS stated that it will not impose penalties for a failure to make semi-monthly 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.

Today's waiver does not apply to the penalty imposed for using adulterated fuels that do not comply with applicable Environmental Protection Agency (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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