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## Clarification from NC DOR on Use of Dyed Diesel Fuel for On-Highway Use

**SUBJECT:** *Clarification from NC Department of Revenue on Dyed Diesel for Hwy Use*  
**FROM:** *NCPCM Office – Gary Harris*  
**TO:** *NCPCM Members*  
**DATE:** *September 20, 2018*

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### IMPORTANT NOTICE:

#### North Carolina Department of Revenue Waives Diesel Fuel Penalty Due to Hurricane Florence

The North Carolina Department of Revenue, in response to diesel fuel supply interruptions resulting from Hurricane Florence, will not impose a tax penalty when dyed diesel fuel is sold for use in highway vehicles in the state of North Carolina.

This relief is consistent with the Internal Revenue Service (IRS) and the Environmental Protection Agency (EPA) waivers for North Carolina, allowing the use of Non-Road Diesel, Locomotive and Marine Fuel in North Carolina without the imposition of a penalty when dyed diesel fuel is sold for use or used in highway motor vehicles in North Carolina.

**This relief is available effective September 17, 2018 and will remain in effect through September 28, 2018.**

This waiver does not apply to the Internal Revenue Code penalty for using adulterated fuels that do not comply with applicable EPA regulations. Thus, consistent with the EPA waiver, diesel fuel with sulfur content higher than 15 parts-per-million may not be used in highway vehicles.

**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 35.1 cents per gallon.**

**Vendors who sell dyed diesel fuel for highway use or users of non-tax-paid dyed diesel pursuant to this waiver must file the Department's Motor Fuel Backup Tax Return (GAS-1259) to pay the tax on the dyed fuel.**

Ordinarily dyed diesel fuel is not subject to excise tax because it is sold for uses exempt from the tax, such as to farmers for farming purposes.

Taxpayers who use dyed diesel fuel during this relief period should be aware this penalty relief is only available within North Carolina. Vehicles operated using dyed fuel outside the State may be subject to penalties imposed by other States.

Taxpayers who use dyed diesel fuel during this relief period should be aware that remnants of dyed fuel products will remain in the fuel supply tank and are advised to take necessary actions to flush their fuel supply tanks to avoid any possible penalty after the relief period has ended.

If you have questions about the information in this notice, please contact the Excise Tax Division at telephone number (919) 707-7500 or toll free at (877) 308-9092.

Thank you for your support of NCPCM.