

KEY UPDATE FOR OHIO: Governor DeWine's October 21 order provides penalty and enforcement relief for dyed diesel used on Ohio highways through December 31, 2026. Federal relief is also in place. The federal announcements do not establish tax forgiveness. [1–3]

WHAT THE OHIO AND FEDERAL ACTIONS DO

- Ohio Executive Order 2026-05D directs the Tax Commissioner to waive highway dyed diesel penalties and suspend discretionary enforcement and investigations under R.C. 5735.124. It took effect October 21 and ends December 31, 2026, at 11:59 p.m. [1]
- Federal Executive Order 14435, signed October 5, directs authorized tax deferral and penalty relief. The IRS's October 14 guidance suspends ordinary collection, enforcement and on-road dyed fuel inspections, with penalty relief for sellers and highway users from October 1 through December 31, 2026. [2–3]
- Do members need a separate federal tax log? Under October 21 IRS guidance, members need not create or maintain records solely for covered section 4041(a) dyed diesel tax liability from October 1–December 31. No later catch-up filing, reporting or record reconstruction is required. Keep records required for other taxes, exemptions, credits or refunds. [4]

PRACTICAL IMPACT FOR MEMBERS

Off-road farm equipment	Normal qualifying use in tractors, combines and other off-road equipment remains unchanged.
Highway vehicles in Ohio	Ohio's temporary penalty and enforcement relief now aligns with federal relief through December 31. The underlying Ohio law has not been repealed. Check each state's rules before interstate travel. [1, 3]
Will federal tax need to be paid later? Please see IRS announcement below.	<u>That remains unresolved. IRS reporting relief does not itself forgive the tax.</u> Treasury is exploring elimination of deferred amounts, and payment guidance is pending. No repayment date is established in these announcements. Sellers need not track customers' ultimate end-use during relief. [2–4]

MEMBER ACTION: Plan for the December 31 end of highway dyed diesel relief. Ohio's separate HB 519 fuel tax holiday runs October 4, 2026–January 2, 2027; it does not extend dyed diesel highway relief into January. Retain ordinary records needed for other obligations. IRS is considering residual-dye transition relief, but has not announced a grace period in its October 21 guidance. [1, 4]

IR-2026-125, Oct. 21, 2026

WASHINGTON — The Internal Revenue Service today announced temporary administrative relief from reporting and recordkeeping requirements relating to taxes imposed by section 4041(a) of the Internal Revenue Code. The relief addresses temporary compliance burdens while the Department of the Treasury and the Internal Revenue Service evaluate simplified procedures for administering those requirements.

In administering the requirements prescribed under sections 6001 and 6011, the IRS will not challenge temporary failures to meet return-filing, reporting or recordkeeping requirements solely attributable to liability under section 4041(a) arising from taxable uses of dyed diesel occurring on or after Oct. 1, 2026, and before Jan. 1, 2027. This relief includes filing Form 720 solely to report that liability, reporting that liability on an otherwise required Form 720, and creating or maintaining records solely to substantiate that liability. The IRS will not assert civil penalties or additions to tax solely for failures covered by this announcement.

The relief applies without regard to whether the applicable filing or reporting deadline falls after Dec. 31, 2026, and will not require subsequent filing, reporting, or reconstruction of records after Dec. 31, 2026. Persons required to file Form 720 for other liabilities must continue to file, report and maintain records to substantiate those liabilities.

The IRS is aware of concerns regarding residual red dye in fuel tanks after the relief period ends and is considering an appropriate grace period or other mitigation measures, with further guidance to follow.

This announcement does not affect recordkeeping or reporting requirements independently applicable to another tax or to a claim for exemption, credit or refund.

1 Ohio signed order | 2 Federal executive order | 3 IRS IR 2026 122 | 4 IRS IR 2026 125

This member briefing is for general informational purposes and is not legal or tax advice. Information is current as of October 22, 2026; agency guidance may change.