

Red-dyed diesel: can you use it, and will it save money?

By Chad Johnson, CDS · Source check: October 6, 2026

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Texas has changed its rules for using dyed diesel on the road. The federal order still needs agency instructions before a buyer can rely on its tax relief. At this check, we had not located those instructions from the IRS or Treasury.

If you have heard that red diesel is now legal, cheaper, or both, here is what to check before your next fuel stop. Abbott changed the Texas use rules. Trump ordered changes on the federal tax side. Neither announcement, by itself, tells you what a tank of fuel will finally cost.

What did Abbott change?

On September 28, Governor Abbott suspended Texas restrictions and the related penalties for using dyed diesel on Texas roads under the disaster declaration.

Texas still charges its 20-cent-per-gallon tax when that fuel is used on the highway. The state changed the use restrictions; it did not cancel that tax. The Texas Comptroller says it is working on payment options.

That explains why a carrier might run the numbers and find little or no savings. If the fuel costs the same before tax, and you still owe the tax, the final cost can be the same. Having another source of suitable fuel could still help when your usual supplier cannot deliver.

[Check the Texas Comptroller's current diesel notice.](#)

What did Trump change?

Trump signed his order on October 5. It directs Treasury and the IRS to arrange certain federal tax-payment delays and relief from certain penalties, subject to the order's legal conditions.

The important word is "delay." Being allowed to pay a tax later does not mean the tax is gone. The order also calls for looking into forgiveness, but it does not itself forgive that tax.

The agencies' instructions must tell buyers who qualifies, which purchases qualify, and when payment is due. Until that is confirmed for your purchase, do not build your fuel budget around the advertised relief.



[Read the signed federal order.](#)

Can I put red diesel in my truck?

Texas has relaxed its road-use restriction, but that is only one part of the answer. Before buying, confirm the federal rules, any other states on your route, and the actual fuel specification.

Red dye is a tax marker. It does not tell you whether the fuel meets your engine's requirements. A newer highway truck normally needs **ultra-low sulfur diesel, or ULSD**. Ask the supplier to confirm that specification instead of assuming anything sold as "red diesel" is suitable.

A separate EPA waiver allows certain older engines in Texas to use higher-sulfur fuel under specific conditions. It does not cover every truck. Equipment with a diesel particulate filter (DPF) or catalytic emissions controls is excluded from that higher-sulfur permission. The equipment details are below.

If you drive for a fleet, get an approved purchasing instruction from your manager before changing fuel. If you own the truck, you need to answer the manager's questions yourself.

Will it actually save me money?

Maybe. Compare the complete cost, not just the number on the invoice:

Fuel price + taxes you still owe + delivery or other fees = actual cost.

One fill-up: 200 gallons

If your purchase qualifies for a delay of the 24.3-cent federal amount in this example, you keep **\$48.60** in your account for now.

If that tax later comes due, you still pay the \$48.60. It helped you pay later; it did not make that fill-up permanently cheaper.

If the supplier charges an extra eight cents per gallon for delivery, add **\$16**. That fee still counts, even if some tax can be paid later.

Illustration only. Federal relief must be confirmed for the purchase. The full tax breakdown is in the details below.

A genuinely lower delivered fuel price can save money. Extra suitable inventory can keep a truck moving. A tax delay can help with cash on hand. Check which benefit you are actually getting before calling it a fuel discount.



If you are the driver

- **Follow the fleet's fuel instruction.** Do not change your fuel purchase because of a headline or a supplier's sales pitch.
- **Confirm the approved product.** If the pump or delivery ticket does not match what you were told to use, call before fueling.
- **Keep the receipt.** Make sure the gallons, date, location and product are readable.
- **Tell dispatch if your route changes.** A Texas purchase does not settle the dyed-fuel rules in another state.

If you buy fuel or manage the fleet

1. **Get two quotes you can compare.** Use the same product specification, gallons, delivery location and payment terms.
2. **Ask which taxes are included.** Get it in writing. Identify any taxes you must pay separately and who will handle that payment.
3. **Verify the relief before claiming it.** Use the current IRS, Treasury and state instructions that apply to this purchase.
4. **Check the truck and the route.** Confirm engine requirements and the rules in every state where the truck will operate.
5. **Give drivers one clear instruction.** Say what fuel is approved, where to buy it, and who to call if something does not match.

For a bulk delivery, keep the invoice, product specification and dispensing records together. Have the person handling your fuel-tax returns confirm how the purchase will be reported.

Before the next order, ask the supplier: **"After all taxes and fees, what does this fuel cost us—and what are we responsible for paying later?"** That answer is more useful than the advertised discount.

More detail, when you need it

The main checks are above. The following sections cover the tax figures, equipment conditions and records behind the answer.



Federal relief: dates, eligibility and payment

The order uses 26 U.S.C. §7508A and directs Treasury to make legal determinations within five days. If made, those determinations support authorized payment deferral for specified §4041 tax liabilities incurred October 5–December 31, 2026.

It also calls for IRS instructions on certain §6715 highway-use dyed-fuel penalties and deposit penalties. **December 31 ends the stated relief period; it is not a stated repayment date.**

The order does not create a general refund for clear diesel already bought with tax included. Keep receipts and confirm a specific credit or refund rule before claiming anything. It also calls for continued federal motor-carrier safety enforcement.

[Signed order, sections 2–4 and 6](#) · [IRS announcements](#) · [Treasury announcements](#)

The complete tax math behind the 200-gallon example

The ordinary federal highway diesel tax is 24.4 cents per gallon. It includes a 0.1-cent component for the Leaking Underground Storage Tank (LUST) fund. Dyed diesel generally still carries that 0.1-cent component when supplied from the fuel terminal. The example delays the other 24.3 cents only if the purchase qualifies under implementing guidance.

Assume identical fuel and delivery cost **\$5.00 per gallon before taxes**. These are invented prices to show the calculation, not today's supplier quotes.

- **Clear diesel:** \$5.00 + 24.4 cents federal + 20 cents Texas = \$5.444 per gallon.
- **Dyed diesel, with all taxes counted:** a \$5.001 invoice that includes the 0.1-cent component + 24.3 cents federal still owed + 20 cents Texas = the same \$5.444.
- **Dyed diesel, if the federal delay applies:** \$5.201 after counting Texas tax and the 0.1-cent component, with 24.3 cents still to pay later. The eventual total remains \$5.444 unless valid later action forgives tax.

On 200 gallons, $200 \times \$0.243 = \48.60 . That is the amount temporarily retained in this illustration. Supplier collection practices and your payment procedure must follow applicable guidance; these figures are not filing instructions.

Under ordinary federal backup-tax rules, highway use of dyed fuel generally makes the operator liable. A seller who knows it will be used that way can also be liable. The order addresses specified §4041 liabilities; do not read it as canceling all §4081 fuel taxes or the LUST component.

[IRS Publication 510: diesel, dyed fuel and backup tax](#)



Older trucks and the separate EPA fuel waiver

EPA issued a separate Texas waiver on October 5, effective through October 24, 2026. It permits limited higher-sulfur diesel use in eligible equipment originally certified for fuel with sulfur below 500 parts per million. Ordinary highway ULSD has a 15-parts-per-million sulfur limit.

The waiver describes pre-2007 **engine** model years for highway equipment and eligible pre-Tier-4 nonroad engines. The truck's model year alone does not establish eligibility. Check the engine's emissions label and the waiver's conditions.

Equipment with a DPF or catalytic emissions-control technology is excluded. Non-ULSD must be kept separate from fuel sold or labeled as ULSD, with the required supplier and dispenser warnings. The letter also sets conditions for tracing the fuel and handling qualifying inventory after expiration.

This is a fuel-specification waiver, separate from dyed-fuel tax relief. Before buying higher-sulfur fuel, verify both the equipment and the actual product against the signed waiver. Do not assume the waiver will be extended.

[Signed October 5 Texas waiver](#) · [Current EPA fuel waivers](#)

State lines, IFTA and bulk-fuel records

IFTA is the fuel-tax reporting system used by qualifying interstate carriers. Keep all gallons and miles accounted for. A dyed-fuel receipt does not automatically establish that tax was paid or that you can take a tax-paid credit.

Texas requires supporting IFTA records for four years from the return's due date or filing date, whichever is later. Have your preparer confirm the correct treatment of the actual purchase and use.

For bulk fuel, keep the quote, invoice, delivery ticket, product specification, gallons, location and purchase date. Identify the taxes collected and any unpaid or deferred amount. Preserve the agency instructions used to approve the purchase.

Connect tank and dispensing records to the unit, date and gallons issued. Assign someone to track tax payments and follow up on any deferred balance. These are recommended controls; they do not replace applicable registration or filing requirements. Texas's bonded-user guidance does not mean every highway buyer belongs in that category.

[Texas IFTA guidance](#) · [Texas dyed-diesel recordkeeping guidance](#)



Keep a copy

[Download the PDF](#) · [Download the Word article](#)

The downloads include the extra detail above and the October 6 source-check date. Check this page for later changes.

Need help with the records?

PassPro can review fuel documentation and fleet procedures within an agreed scope. Your tax preparer and the applicable agency instructions need to settle tax filing and eligibility questions.

[Talk with PassPro](#) · [Read the separate Texas weight-and-permit guide](#)

Check the official sources

- [Texas Governor: September 28 dyed-diesel announcement](#)

<https://gov.texas.gov/news/post/governor-abbott-waives-dyed-diesel-restrictions>

- [Texas Comptroller: current diesel notice and tax](#)

<https://comptroller.texas.gov/taxes/fuels/diesel.php>

- [White House: October 5 signed executive order](#)

<https://www.whitehouse.gov/presidential-actions/2026/10/emergency-tax-relief-on-diesel-fuel/>

- [IRS Publication 510: fuel taxes, dyed diesel and backup tax](#)

<https://www.irs.gov/publications/p510>

- [IRS newsroom: check for implementing announcements](#)

<https://www.irs.gov/newsroom>

- [Treasury: check current press releases](#)

<https://home.treasury.gov/news/press-releases>

- [EPA: diesel standards](#)

<https://www.epa.gov/diesel-fuel-standards/diesel-fuel-standards-and-rulemakings>

- [EPA: signed October 5 Texas diesel waiver](#)

<https://www.epa.gov/system/files/documents/2026-10/fuel-waiver-texas-2026-1005.pdf>

- [EPA: fuel waiver list](#)

<https://www.epa.gov/gasoline-standards/fuel-waivers>

- [Texas IFTA requirements](#)



<https://comptroller.texas.gov/taxes/fuels/ifta.php>

- [Texas dyed-diesel recordkeeping](#)

<https://comptroller.texas.gov/taxes/publications/98-723.php>

