IOWA | DOT

Motor Vehicle Division Informational Memo # 26-11
2026 Dyed Diesel Proclamation – Motor Carrier Services

DATE: October 7, 2026
FROM: Kathleen Meradith-Eyers, Director
TO: All Motor Carrier Services staff

EFFECTIVE: October 5, 2026

SUBJECT
This informational memo is to inform the DOT Motor Carrier Services team of a temporary suspension of federal and state dyed diesel penalties and fuel-tax obligations.

SUMMARY
State Proclamation: On October 5, 2026, the Governor issued a Proclamation of Disaster Emergency temporarily suspending Iowa Code section 452A.74A(1) from October 5 to February 4, 2027 only to the extent that it restricts the use of dyed diesel fuel by vehicles hauling the following agricultural products:

- soybeans, corn, hay, straw, silage, stover
- distillers grains
- soybean meal
- livestock and livestock feed
- fertilizer (dry, liquid, and gas)
- manure (dry and liquid)
- Other farm products described in Iowa Code section 554.9102(1)(am).

The proclamation also suspends related state fuel-tax obligations, including sales tax, use tax, and special fuel tax, that would normally apply when dyed diesel is sold, purchased, or used on public roads, meaning qualifying haulers are not subject to either state penalties or state fuel-tax liability for dyed diesel use during the emergency period.

Federal Executive Order: On October 5, President Trump issued an Executive Order directing the Internal Revenue Service (IRS) to not impose federal dyed diesel penalties under 26 U.S.C. §6715(a)(1) and (a)(2) for any on-highway use of dyed diesel between October 5 and December 31, 2026.

The state suspension of penalties only applies to dyed diesel used by vehicles hauling the listed commodities and applies on all Iowa highway systems, including the interstate system.

The federal suspension of penalties applies to any vehicle using dyed diesel on the highways and the interstate system.

IMPORTANT: Even though the Presidential Executive Order is different than Iowa's relief, individuals must be aware that using dyed diesel in a vehicle hauling commodities not listed in the Iowa proclamation will violate Iowa law, even if federal penalties are waived.

Enforcement authority for dyed-fuel penalties and state fuel-tax lies primarily with the Iowa Department of Revenue (DOR) at the state level. The IRS leads on tax compliance and enforcement at the federal level. The Commercial Motor Vehicle Unit (CMVU) assists with inspections.

PROCLAMATION LINK

Governor's Proclamation
Presidential Executive Order

QUESTIONS AND ANSWERS

WHAT IS DYED DIESEL?

Dyed diesel is a type of diesel fuel marked with a red dye to show that it is not taxed for highway use. It is normally used for off-road purposes such as farming equipment, construction machinery, and heating systems. Because it is sold without the highway fuel tax, state and federal law generally prohibits using dyed diesel in vehicles driven on public roads, and violations can result in penalties administered by the Iowa DOR or the IRS.

WHICH AGENCY LEADS ON DYED DIESEL FUEL COMPLIANCE?

Iowa DOR oversees dyed-diesel fuel tax compliance and penalty assessments at the state level. The IRS leads compliance and enforcement of federal penalties. CMVU assists with roadside inspections.

WHAT IS THE DIFFERENCE BETWEEN THE STATE AND FEDERAL RELIEF?

The state level relief only applies to vehicles hauling the listed commodities. The federal relief allows dyed diesel use in all vehicles. The federal relief does not override the state level restriction to hauling agricultural commodities. Here is a side-by-side comparison of the state versus federal relief:

Dyed Diesel Relief Comparison: Iowa vs. Federal

Topic	Iowa Proclamation	Federal Executive Order (EO)
Who qualifies?	Only motor vehicles hauling specific agricultural commodities: soybeans, corn, hay, straw, silage, stover, distillers grains, soybean meal, livestock, livestock feed, fertilizer (dry, liquid, and gas), manure (dry and liquid) and other farm products described in Iowa Code section 554.9102(1)(am).	All vehicles, regardless of cargo or purpose.
Where is dyed diesel allowed?	All Iowa highways and public roads, including interstates.	All public highways nationwide, including interstates.
Penalties waived?	State dyed diesel penalties under §§ 452A.74 and 452A.74A fully suspended for qualifying hauls.	Federal dyed diesel penalties under 26 U.S.C. § 6715 directed to be fully suspended.

State/federal fuel-tax obligations waived?	Iowa sales tax, use tax, and special fuel tax waived for dyed diesel used to haul the listed commodities.	Federal excise-tax payment obligations may be deferred under Treasury authority.
Duration	Oct. 5, 2026 – Feb. 4, 2027 (122 days)	Oct. 5 – Dec. 31, 2026 (88 days)
Commodity restrictions?	Yes. Relief applies only when hauling the listed agricultural commodities.	No. Cargo does not matter.
Vehicle type restrictions?	No. Any motor vehicle qualifies if hauling listed commodities.	No restrictions on vehicle type.
Does relief override the other government's rules?	No. State relief does not override federal law.	No. Federal relief does not override state law.
Key caution	Dyed diesel use outside the listed commodities (even on interstates) still violates Iowa law, regardless of federal relief.	Federal relief may apply even if Iowa penalties still do, users must comply with both systems.

DOES THE FEDERAL EXECUTIVE ORDER MEAN DYED DIESEL CAN NOW BE USED IN ANY VEHICLE ON IOWA HIGHWAYS?

No. The federal Executive Order temporarily suspends federal penalties for dyed diesel fuel use, but Iowa has only suspended its own dyed diesel penalties for vehicles hauling a specific list of commodities. Individuals should follow the state level restrictions to avoid penalties.

DOES IOWA'S RELIEF EXTEND TO OTHER STATES?

No. Iowa's temporary suspension of state level penalties for dyed diesel fuel does not automatically extend to other states. Some surrounding states have not waived their own state level penalties on dyed diesel fuel. The federal relief would apply nationwide, but only to the federal penalties, not any state level penalties. Individuals must be careful to review what relief is available in each state they are traveling in while using dyed diesel.

WHAT ARE THE NORMAL STATE PENALTIES FOR USING DYED DIESEL FUEL ON THE HIGHWAYS?

Under normal circumstances, Iowa Code section 452A.74A imposes civil penalties for the illegal use of dyed diesel fuel in the supply tank of a motor vehicle on public highways, including:

- $500 for a first violation
- $1,000 for a second violation within three years
- $2,000 for third and subsequent violations within three years

WHAT ARE THE NORMAL FEDERAL LEVEL PENALTIES FOR USING DYED DIESEL ON THE HIGHWAYS?

The IRS may assess penalties for improper use of dyed diesel, which is the greater of $1,000 or $10 per gallon of dyed fuel involved. Higher penalties may be assessed for repeat or intentional violations.

CAN AN ELIGIBLE PERSON USED DYED DIESEL FUEL ON THE INTERSTATE?

Yes. Both the Governor's proclamation and the Presidential Executive Order allow dyed diesel use on the interstate system.

WHEN DOES THE GOVERNOR'S PROCLAMATION EXPIRE?

February 4, 2027 at 11:59 p.m. unless sooner terminated or extended by the Governor.

WHO IS THE BEST CONTACT FOR QUESTIONS ABOUT DYED DIESEL COMPLIANCE AND PENALTIES?

Customers who have questions about state level dyed diesel penalties should be referred to the Iowa Department of Revenue and questions about federal level dyed diesel penalties and compliance should be referred to the IRS.