
State of South Carolina
Department of Revenue
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Website Address: <http://www.sctax.org>

SC INFORMATION LETTER #05-23

SUBJECT: Expanded Tax Relief to Victims of Hurricane Katrina
Waiver of Dyed Diesel Fuel Penalty

DATE: September 6, 2005

AUTHORITY: S. C. Code Ann. Section 12-4-320 (2000)
SC Revenue Procedure #03-1

SCOPE: An Information Letter is a written statement issued to the public by the Department to announce general information useful in complying with the laws administered by the Department. **An Information Letter has no precedential value, and is not binding on the public or the Department.**

Expanded Tax Relief to Victims of Hurricane Katrina

The Internal Revenue Service has granted special tax relief for taxpayers in the Presidential Disaster Area affected by Hurricane Katrina. At this time, the Internal Revenue Service has granted these taxpayers relief generally until October 31, 2005.

On September 2, 2005, the IRS expanded its relief to cover an additional 33 parishes, 37 counties in Mississippi, three counties in Alabama and three counties in Florida. The disaster areas designated for individual relief include (new and previously announced locations):

- 64 Louisiana parishes: Acadia, Allen, Ascension, Assumption, Avoyelles, Beauregard, Bienville, Bossier, Caddo, Caldwell, Calcasieu, Cameron, Catahoula, Claiborne, Concordia, Desoto, East Baton Rouge, East Carroll, East Feliciana, Evangeline, Franklin, Grant, Iberia, Iberville, Jackson, Jefferson, Jefferson Davis, Lafayette, Lafourche, LaSalle, Lincoln, Livingston, Madison, Morehouse, Natchitoches, Orleans, Ouachita, Pointe Coupee, Plaquemines, Rapides, Red River, Richland, Sabine, St. Bernard, St. Charles, St. Helena, St. James, St. John, St. Landry, St. Mary, St. Martin, St. Tammany, Tangipahoa, Tensas, Terrebonne, Union, Vermilion, Vernon, Washington, Webster, West Baton Rouge, West Carroll, West Feliciana and Winn;

- 52 Mississippi counties: Adams, Amite, Attala, Chickasaw, Choctaw, Claiborne, Clarke, Clay, Copiah, Covington, Forrest, Franklin, George, Greene, Hancock, Harrison, Hinds, Itawamba, Jackson, Jasper, Jefferson, Jefferson Davis, Jones, Kemper, Lamar, Lauderdale, Lawrence, Leake, Lee, Lincoln, Lowndes, Madison, Marion, Monroe, Neshoba, Newton, Noxubee, Oktibbeha, Pearl River, Perry, Pike, Rankin, Scott, Simpson, Smith, Stone, Walthall, Warren, Wayne, Webster, Wilkinson, and Winston;
- Six Alabama counties: Baldwin, Clarke, Choctaw, Mobile, Sumter and Washington; and
- Three Florida counties: Broward, Miami-Dade and Monroe.

In response, the South Carolina Department of Revenue is also expanding its tax relief to provide the same relief to individuals and businesses located in the disaster area, taxpayers who have businesses in South Carolina with offices in the disaster area whose operations have been affected by the hurricane, those whose tax records are located in the disaster area, those whose returns are prepared by tax professionals in the affected areas, and relief workers. The Department will grant the same relief period granted by the Internal Revenue Service. If the Internal Revenue Service grants relief to other areas affected by the hurricane or grants an additional relief period, then the Department will grant the same relief and period.

To qualify for this relief, affected taxpayers should write “Hurricane Katrina” at the top of the return relying on this relief. Individuals or businesses located in the disaster area, or taxpayers outside the area that were directly affected by the disaster, should notify the Department if they receive penalties for filing returns or paying taxes late for waiver of these penalties. Taxpayers with relief questions should contact the Department at 803-898-5709.

Waiver of Dyed Diesel Fuel Penalty

In the Department of Revenue’s September 2, 2005 news release, the Department, in conjunction with the Internal Revenue Service (IRS), announced that it, temporarily, will not impose penalties when dyed fuel is sold for use or used on the highway. In South Carolina, federal penalty relief began on August 31, 2005 and will remain in effect through September 15, 2005. This penalty relief is available to any person that sells or uses dyed diesel fuel for highway use, but is only available if the federal motor fuel tax of 24.4 cents per gallon has been paid by either the person selling the dyed diesel fuel or by the operator of the vehicle that is using the dyed diesel fuel.

South Carolina will grant similar penalty relief from August 31, 2005 through September 15, 2005 to any person that sells or uses dyed diesel fuel for highway use, but this penalty relief is only available if the state motor fuel tax of 16 cents per gallon has been paid by either the person selling the dyed diesel fuel or by the operator of the vehicle that is using the dyed diesel fuel.

The injection of red dye into diesel fuel indicates that no motor fuel tax has been paid. Dyed diesel fuel is ordinarily not taxed since it is used for non-taxable off-road uses (e.g., farming) or other exempt uses. Therefore, its use in a highway vehicle is normally subject to a penalty (in addition to the motor fuel taxes).

Retailers, suppliers and other sellers of dyed fuel are expected to collect and pay the motor fuel tax on the sale of dyed fuel. If tax is not collected, the consumer is expected to pay motor fuel tax on the fuel.