



December 30, 2025

2026 Federal Motor Fuel Excise Tax Rates and Credits -- **WHAT'S NEW?**

From EMA

Superfund Tax: The Superfund tax was reinstated on crude oil received at refineries and on imported petroleum products, beginning on January 1, 2023, by the Inflation Reduction Act. Until December 31, 2025, the Superfund tax rate is the sum of the Hazardous Substance Superfund rate and the Oil Spill Liability Trust Fund financing rate. **The Oil Spill Liability Trust Fund tax expires on December 31, 2025, and has not been renewed by Congress. Unless legislation is enacted in 2026, only the Hazardous Substance Superfund tax will be payable to the IRS.**

For calendar years beginning in 2024, the Hazardous Substance Superfund financing rate is adjusted for inflation. For calendar year 2026, the Hazardous Substance Superfund tax rate is \$0.18 cents per barrel.

The Superfund tax is paid by refiners and crude oil and finished product importers. While no party below the terminal rack is liable for the Superfund tax, refiners and importers pass the fee down as a cost folded into the wholesale rack price of petroleum products — not as a tax. Marketers are not required to break this fee out as a “tax” on their invoices or contract bids. Note that the Superfund rate is not refundable to any party along the petroleum refining and distribution chain. Marketers with questions should consult with their suppliers.

Highway Trust Tax: The Federal government collects revenue for the Highway Trust Fund primarily from excise taxes on motor fuels. Federal taxes include excises taxes of 18.3 cents per gallon on gasoline and 24.3 cents per gallon on diesel fuel, plus a Leaking Underground Storage Tank (LUST) tax of 0.1 cents per gallon on both fuels. The Table below includes the excise taxes collected from this program, including the total 18.4 cents per gallon tax on gasoline and the 24.4 cents per gallon tax on diesel fuel.

Lust Tax: The LUST tax applied to motor fuels is non-refundable, for which tax-exempt parties are required to pay the .001 cents per gallon. The Table below includes rates for the .001 cents per gallon non-refundable LUST tax imposed on both dyed and clear liquid fuel:

Product	Rate	Cents Per/Gal
Gasoline	\$.184	18.4 cpg
Gasoline (removed for alcohol blending)	\$.184	18.4 cpg
Alcohol (for use in downstream gasoline blending)	\$.184	18.4 cpg
Aviation Gasoline	\$.194	19.4 cpg
Heating Oil	\$.001	1/10 th cpg
Diesel (clear)	\$.244	24.4 cpg
Diesel (dyed)	\$.001	1/10 th cpg
Diesel (dyed used in trains) *	\$.001	1/10 th cpg
Diesel (removed for blending with biodiesel)	\$.244	24.4 cpg
Diesel (used in certain intercity and local buses)	\$0.17	17.0 cpg
Biodiesel (removed for blending with diesel)	\$.244	24.4 cpg
Kerosene (clear)	\$.244	24.4 cpg
Kerosene (dyed)	\$.001	1/10 th cpg
Kerosene (clear - non-commercial aviation) **	\$.219	21.9 cpg
Kerosene (clear - for use in non-taxable aviation)	\$.001	1/10 th cpg
Kerosene (clear - for use in commercial aviation not for foreign trade)	\$.044	4.4 cpg
Alternative Fuels - On Highway Use in a Motor Vehicle		
Propane (liquefied propane gas) (gasoline gallon equivalent)	\$.183	18.3 cpg
Compressed Natural Gas (CNG) (gasoline gallon equivalent)	\$.183	18.3 cpg
Liquefied Natural Gas (diesel fuel gallon equivalent) ***	\$.243	24.3 cpg
"P" Series Fuels	\$.184	18.4 cpg
Liquefied Fuel (derived from biomass)	\$.244	24.4 cpg

Notes

*This tax is paid by the railroads, NOT by the ultimate vendor.

** Marketers pay \$.244 cpg at the rack, user's rate is \$.219. Ultimate vendor claim is 2.5 cpg. The ultimate vendor is the only party that can make the claim for the 2.5 cpg. Ultimate vendor must have a certificate from the ultimate purchaser verifying the fuel is used for non-commercial aviation. Ultimate vendor must have an IRS 637 UA registration to file claim.

***For taxation purposes, one gasoline gallon equivalent (GGE) is equal to 5.75 pounds (lbs.) of propane and 5.66 lbs. of CNG. One diesel gallon equivalence (DGE) is equal to 6.06 lbs. of LNG. (Reference 26 [U.S. Code](#) 4041 and 4081).

U.S. Treasury Releases Guidance on Penny Phase-Out From EMA

Yesterday, the U.S. Department of the Treasury issued a [frequently asked questions \(FAQ\) document](#) to address the implications of halting production of the one-cent coin (penny). This guidance comes as businesses, particularly energy marketers, grapple with diminishing supplies of pennies in circulation.

The Treasury reiterated that the U.S. Mint ceased minting new pennies earlier in the year, primarily because production costs—now at approximately 3.69 cents

per coin—significantly exceed the coin's face value. No additional pennies will be produced for general circulation, though limited numismatic versions may continue for collectors. Existing pennies remain legal tender indefinitely and can circulate via the Federal Reserve as long as inventories last. Consumers are encouraged to use pennies in transactions, and retailers may accept them as payment.

With penny supplies expected to dwindle over time, the FAQ notes that retailers might round total amounts in cash transactions to the nearest five cents when exact change cannot be provided. This rounding policy applies exclusively to cash payments; card, digital, and electronic transactions will remain calculated to the exact cent.

Additionally, the guidance highlights that most states currently mandate sales tax computation based on the pre-tax amount rounded to the nearest penny. The Treasury emphasized that any changes to these tax rules fall under state and local authority. The department is exploring further recommendations to assist businesses in regions with varying or intricate rounding requirements.

EMA and a coalition of energy and retail associations are urging congressional leaders to swiftly make improvements to the Common Cents Act which would allow businesses to round cash transactions to the nearest nickel. Without a national standard, retailers risk violating state laws requiring exact change.

Sincerely,

Mike O'Connor
President, VPCMA



VPCMA | 7275 Glen Forest Drive Suite 204 | Richmond, VA 23226 US

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