

Chapter 85 – Accounting Procedures

85.40 Cash Transactions Involving Pennies

85.40.10	Purpose and scope of the policy	Feb. 9, 2026
85.40.20	Rounding procedure	Feb. 9, 2026
85.40.30	Calculating Sales and Use Tax	Feb. 9, 2026
85.40.40	Cash short or over	Feb. 9, 2026
85.40.50	Agency collection policies and procedures	Feb. 9, 2026

85.40

Statewide Policy Regarding Pennies

85.40.10 Purpose and scope of the policy

The purpose of this policy is to set forth guidelines and procedures for cash transactions in connection with the federal government’s decision to end production of the penny.

As of November 2025, the U.S. Treasury has ended production of the penny. Although pennies remain legal tender, the number in circulation is decreasing. To maintain operations and customer satisfaction, State agencies may have to round cash transactions when the total amount due from the customer cannot be collected or change cannot be provided because of the lack of pennies.

This policy **only** applies to **cash transactions** where exact change would require one or more pennies. While the penny remains legal tender, there may be penny shortages in the marketplace due to this change and these shortages present a challenge when transacting business in cash.

Rounding rules would not apply to payments made via electronic methods, checks, gift cards, or other non-cash instruments.

85.40.20 Rounding Procedure

Agencies should continue accepting pennies and providing penny change for cash transactions while the coin remains in circulation. The penny will remain legal tender, meaning it retains its status as an acceptable form of payment.

When penny change is not available, agencies may round the final amount of a cash transaction to the nearest five-cent increment. In these cases, agencies should employ “symmetrical rounding” whereby if the final digit of the total transaction amount (including taxes) is 1, 2, 6, or 7 cents, the amount is rounded down to the nearest multiple of five. If the final digit is 3, 4, 8, or 9 cents, the amount is rounded up. Transactions totaling exactly \$0.01 or \$0.02 might be rounded up to \$0.05, although this would be extremely rare.

Methodology: Agencies should follow symmetrical rounding as follows:

- \$0.01 or \$0.02 round down to \$0.00
- \$0.03 or \$0.04 round up to \$0.05
- \$0.06 or \$0.07 round down to \$0.05
- \$0.08 or \$0.09 round up to \$0.10

When rounding, if a customer is making payments for multiple items in the same transaction, the rounding should occur after the total due is added together.

85.40.30 Calculating Sales and Use Tax

A key concern for some agencies is compliance with their obligation to collect and remit sales and use tax. More specifically, how the amount of sales tax due on a cash transaction should be calculated when the agency rounds the total amount due because of the penny shortage. Price rounding is only applicable to cash transactions.

Agencies must continue to calculate any applicable sales-related taxes pursuant to current law, regardless of the customer's method of payment. If the total amount due cannot be collected or change cannot be provided on a cash transaction due to the penny shortage, the agency may round the total amount due from the customer to the next lowest, next highest, or nearest nickel.

Taxes must be calculated on the actual transaction amount. The cash rounding method occurs after the applicable taxes have been applied.

Example 1: An agency sells a taxable item for \$9.83 to a customer paying in cash. The total sales tax rate applicable to this sale is 5.5%. The total is \$10.37 (\$9.83 plus \$0.54 sales tax). Due to the penny shortage, the agency rounds the total down to \$10.35. The sales tax due by the agency for this transaction is \$0.54. This minor rounding adjustment to address the penny shortage does not require the sales price to be recalculated.

Example 2: An agency sells a taxable item for \$9.85 to a customer paying in cash. The total sales tax rate applicable to this sale is 5.5%. The total is \$10.39 (\$9.85 plus \$0.54 sales tax). Due to the penny shortage, the agency

rounds the total up to \$10.40. The sales tax due by the agency for this transaction is \$0.54. This minor rounding adjustment to address the penny shortage does not require the sales price to be recalculated.

Agencies should clearly and conspicuously disclose their rounding method for cash transactions through prominent signage. Sales tax collected must be remitted as required by law.

85.40.40 Cash Short or Over

Agencies should record cash transactions as-is and not include the rounding in recording the transaction. At the end of the day due to the rounding, if there is a POS system, register or cash box shortage, the agency should debit the over and short revenue source code (2689) and if there is an overage credit the over and short revenue source code. If there is a significant overage or shortage, agencies should review to make sure no error or theft was committed.

85.40.50 Agency Collection Policies and Procedures

Agencies should consider implementing procedures for all customer transactions in response to the discontinuation of the penny. Below are considerations for agency policies and procedures:

- Requiring or encouraging customers to provide exact change when making cash payments.
- Offering alternative payment methods including debit cards, credit cards, or online payment portals.
- Establishing protocols for crediting a customer's account when a customer is paying non-exact cash for recurring payments.
- Adjusting rates, fees, and charges within the agency's legal authority to multiples of \$0.05.