



Penny Shortage and Rounding Cash Transactions

I. Introduction

On November 12, 2025, the United States Treasury stopped producing new pennies for circulation¹. The penny retains its full monetary value, and the Federal Reserve continues to recirculate pennies. Nevertheless, the cessation of production of the penny has created a penny shortage, making providing change for cash transactions difficult in some cases.

The shortage of pennies may affect merchants'² ability to provide change to customers³ in cash transactions. To address this issue, the Maryland General Assembly passed two identical bills, House Bill 1026 and Senate Bill 893, which were enacted, respectively, as Chapters 515 and 516 of the Acts of 2026 ("the Acts"). This legislation authorizes rounding the price of the goods or services being sold or the change given in certain cash transactions. Rounding is not required if a merchant has pennies available to make exact change, and a merchant is not prohibited from giving exact change in a

¹ https://www.usmint.gov/news/press-releases/united-states-mint-hosts-historic-ceremonial-strike-for-final-production-of-the-circulating-one-cent-coin?srsltid=AfmBOorx4bhaH3i74e-xadQYQ-21jyQjOXe2_RbosQPxDfhwzyu3_ou8

² A "merchant" is a person engaged in the trade or business of the sale of goods or services. Business Regulation Article ("BR"), § 1-601(d), Annotated Code of Maryland.

³ A "customer" is a purchaser of a good or service from a merchant. BR § 1-601(c).

cash transaction.

II. Rounding Permitted – General

The Acts alter the Business Regulation Article to authorize a merchant conducting a cash transaction to round the price⁴ or to round the amount of change due to the customer. Merchants who round must round down when the price or change ends in 1 cent, 2 cents, 6 cents, or 7 cents, and round up when the price or change ends in 3 cents, 4 cents, 8 cents, or 9 cents. Merchants should round either the price or the change, but may not round both. The Acts were passed as emergency measures, and became effective upon their signature by Governor Wes Moore on May 12, 2026.

The rounding law applies to in-person cash transactions, and, if the price totals at least 5 cents, to transactions over telephone, mail, or internet when the customer pays cash. "Cash" means United States coins and currency. "Cash" does not include a gift card.

The rounding law does not apply when the customer pays with exact change. The law does not authorize a merchant to round a price in a manner that alters the calculation of any tax or fee applicable to the transaction.

A. Price greater than 5 cents

Notwithstanding any other provision of the law, a merchant doing business in the State may round the price for a good or service, or round the amount of change due to a customer, as follows:

1. If the price ends in 1 cent, 2 cents, 6 cents, or 7 cents, round down to the

⁴ "Price" means the amount due and payable by a customer by a customer for a good or service after a merchant: (1) subtracts any discount or deduction; and (2) applies any applicable tax or fee. BR § 1-601(e).

nearest cent divisible by five; or

2. If the price ends in 3 cents, 4 cents, 8 cents, or 9 cents, round the price up to the nearest cent divisible by five.
3. If a merchant rounds the change instead of the price, the merchant must round the amount of change due to a customer up or down to the nearest cent divisible by five, in the same manner as described in items 1 and 2 above.

B. Price less than 5 cents

For an in-person cash transaction, and transactions over telephone, mail, or internet when the customer pays cash, when the price is less than 5 cents, a merchant may round the price up to 5 cents. There is no requirement for a merchant to round the price down if the price is less than 5 cents.

C. Round after applying discounts, deductions, taxes, and fees

If rounding the price, the merchant should round after subtracting any discount or deduction, and after applying any applicable tax or fee, including the sales and use tax. Likewise, if a merchant rounds the customer's change, rounding happens after subtracting any discount or deduction, and after applying any applicable tax or fee.

D. Rounding does not change taxable price

"Taxable price" means the value, in money, of the consideration of any kind that is paid by a buyer to a vendor in a sale.⁵ Maryland sales and use tax is calculated based on the taxable price of the product or service sold. The sales and use tax rate is applied to the taxable price to arrive at the sales and use tax.

⁵ Tax-General Article ("TG"), § 11-101(I), Annotated Code of Maryland.

The rounding law does not change the taxable price of a product or service. Merchants must calculate the sales and use tax without regard to any rounded amount collected from the customer or provided as change to the customer in accordance with the rounding law, as the law now excludes the amount attributable to rounding from the definition of “taxable price”⁶. Sales and use tax must be calculated based on taxable price before any rounding.

III. Examples

The following examples demonstrate how the rounding rules for cash transactions may be applied and how sales and use tax is calculated before rounding.

A. Example 1 – Rounding the price down.

A customer purchases 4 taxable items totaling \$23.02. Sales and use tax of \$1.39 and a non-taxable \$0.10 bag fee are added, for a total price of \$24.51 before rounding. The customer pays by cash and does not have exact change, and tenders \$25.00. The merchant may round the price down to \$24.50, and return \$0.50 in change to the customer.

B. Example 2 – Rounding the price up.

A customer purchases 1 taxable item totaling \$78.99. Sales and use tax of \$4.74 is added, for a total price of \$83.73 before rounding. The customer pays by cash and does not have exact change, and tenders \$90.00. The merchant may round the price up to \$83.75, and return \$6.25 in change to the customer.

C. Example 3 – Rounding the change down.

A customer purchases 1 taxable item totaling \$78.99. Sales and use tax of \$4.74 is

⁶ TG § 11-101(l)(3)(v).

added, for a total price of \$83.73. The customer pays by cash and does not have exact change, and tenders \$90.00. The change due before rounding is \$6.27. The merchant may round the change down and return \$6.25 to the customer.

D. Example 4 – Rounding the change up.

A customer purchases 4 taxable items totaling \$23.02. Sales and use tax of \$1.39 and a non-taxable \$0.10 bag fee are added, for a total price of \$24.51. The customer pays by cash and does not have exact change, and tenders \$25.00. The change due before rounding is \$0.49. The merchant may round the change up and return \$0.50 in change to the customer.

E. Example 5 – Sale with a merchant’s discount, rounding the price down.

A customer purchases an item that regularly sells for \$42.99, but the customer qualifies for the 10% senior citizen discount this merchant offers on Wednesdays. After applying the 10% discount, the price is \$38.69. Sales and use tax of \$2.33 is added⁷, for a total price of \$41.02 before rounding. The customer pays by cash and does not have exact change, and tenders \$50.00. The merchant may round the price down to \$41.00, and return \$9.00 in change to the customer.

F. Example 6 – Sale with a manufacturer’s coupon, rounding the change up.

A customer purchases an item that regularly sells for \$42.99. At the register, the customer presents a manufacturer’s coupon for \$5.00 off the price of the item. The

⁷ The presentation of a coupon for which there exists no arrangement for reimbursement to the vendor by any third party, such as a store coupon that in effect establishes a lower price, is not part of the taxable price. COMAR 03.06.01.08B(2)(d).

merchant honors the manufacturer's coupon. Sales and use tax of \$2.58 is added⁸, for a total price of \$40.57 before rounding. The customer pays by cash and does not have exact change, and tenders \$50.00. The change due before rounding is \$9.43. The merchant may round the change up to \$9.45.

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⁸ Except for a federal food coupon, the face value of any coupon, voucher, or similar item issued by any person, including a manufacturer, government agency, or the vendor, for which the vendor can be reimbursed or compensated in any form by a third party, is a form of consideration which is part of the taxable price, and which may therefore not be deducted before computation of the sales and use tax. COMAR 03.06.01.08B(2)(d).