



The End of the Penny: Tennessee Cash-Rounding Guidance

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Current Context

- US Treasury ended penny production in November 2025
- The penny remains legal tender
- Retailers experiencing penny shortages

Discontinuance Reasoning

- Increase in penny production costs.
- Projected annual savings of \$56 million.
- Increased usage of electronic and non-cash transactions



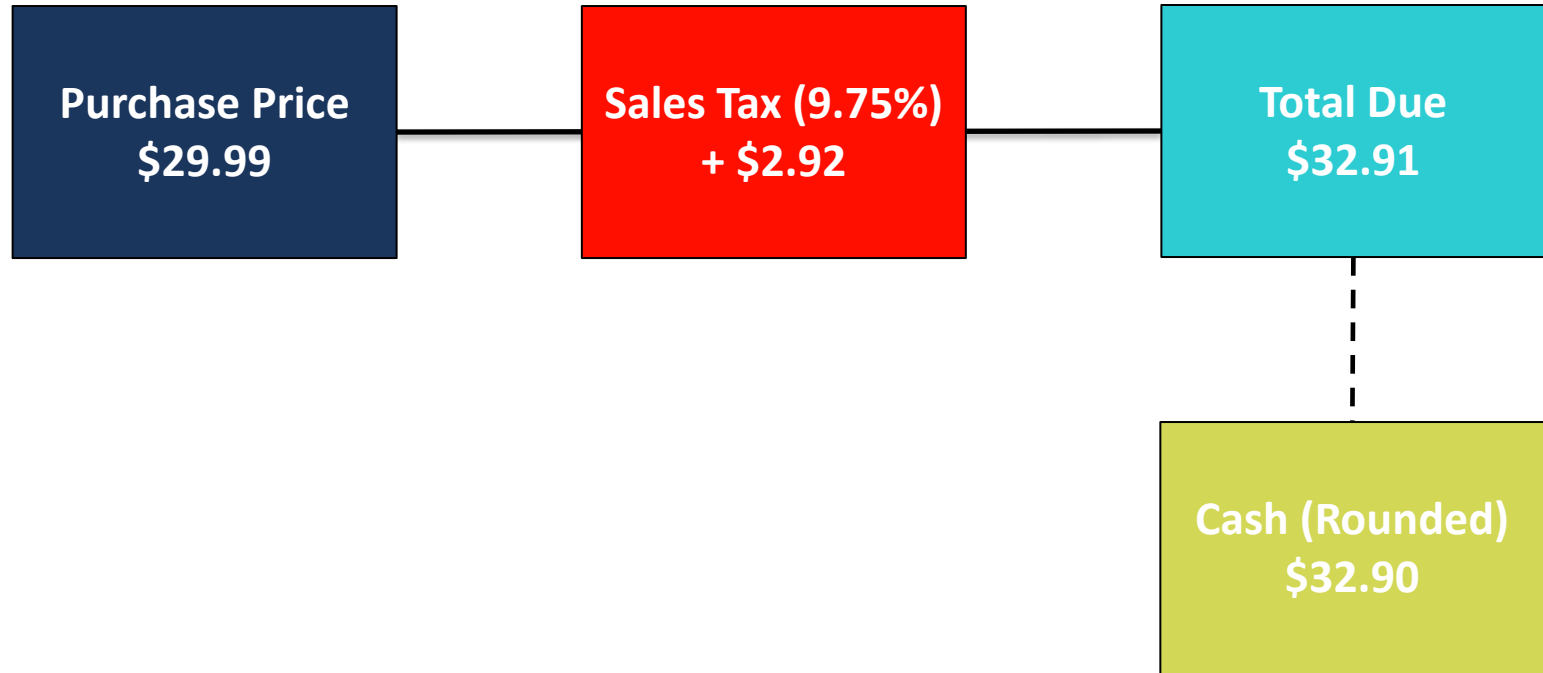
Other State Approaches

- 19 states have enacted some sort of legislation.
- Some states have issued guidance instead.
- Most common approach is “symmetrical rounding.”
- The National Conference of State Legislatures released a policy brief with a number of considerations for states and stakeholders to consider.

Department of Revenue Guidance

- Important Notice #26-01
- Rounding Cash Transactions
 - If the retailer does not have exact change, *may* round to nearest nickel
- Calculating Sales Tax on Transactions
 - No rounding of sales tax amount
 - Law requires retailers to calculate sales tax to the exact cent
 - Sales tax is due on the sales price prior to the retailer applying any rounding rules due to the lack of pennies

Example



- Rounding affects only the cash total, not tax collection

Comptroller Guidance

- Released on January 20, 2026.
- Payment Procedures
- Implementation Considerations
- Difficulty of finding a one sized fits all approach to Local Governments



Public Chapter 602 (2026)

- Effective March 18, 2026
- Authorizes rounding cash transactions to the nearest nickel when exact change is unavailable
 - Private entities doing business with the public
 - Financial institutions cashing checks
- Clarifies that the sales tax portion of a cash transaction is not rounded

Federal Legislation

- Common Cents Act (HR3074 / S1525)
 - Would allow but not require cash transactions to be rounded to the nearest \$0.05
- Still pending
 - Passed U.S. House in July 2026
 - Passed U.S. Senate in August 2026
 - Chambers must pass the same version and send to President for signature

Questions