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# SENATE COMMITTEE ON REVENUE AND TAXATION

Senator Jerry McNerney, Chair  
2025 - 2026 Regular

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**Bill No:** AB 1793  
**Author:** Ward  
**Version:** 4/7/26 Amended  
**Consultant:** Summers

**Hearing Date:** 6/24/26  
**Tax Levy:** No  
**Fiscal:** Yes

## ***CASH PAYMENTS: CALCULATION***

*Requires a merchant doing business in this state to determine the total price of goods or services paid entirely in cash or coin by rounding the nearest amount divisible by five.*

### **Background**

**Sales and Use Tax Law (SUTL).** Except where the law provides a specific exemption or exclusion, California's SUT laws impose a sales tax on all retailers for the privilege of selling tangible personal property at retail in this state or, when sales tax does not apply, a use tax on the storage, use, or other consumption in this state of tangible personal property purchased from a retailer. Retailers are permitted to pass the SUT liability to customers and collect a "sales tax reimbursement" from them. If a retailer computes the amount of sales tax reimbursement upon an amount that is not taxable or is in excess of the taxable amount and the customer pays it, the retailer must either:

- Return the excess amount to the customer if CDTFA or the customer notifies the retailer of the excess amount; or
- Pay the excess amount to the state if the business does not refund the excess amount to the customer.

In addition to the SUT law, CDTFA administers over 40 special tax and fee programs. Some programs also impose a tax or fee on retail sales based on a percentage of "gross receipts" or "sales price," as defined under the SUTL. These programs often involve cash payments and include the following:

- Cannabis Excise Tax
- California Firearm, Firearm Precursor Part, and Ammunition Excise Tax
- Lumber Products Assessment
- California Electronic Cigarette Excise Tax
- California Tire Fee
- Covered Electronic Waste Recycling Fee
- Covered Battery-Embedded Waste Recycling Fee
- California Battery Fee and Manufacturer Battery Fee (Lead Acid Battery Fee)
- 911 Surcharge, 988 Surcharge, and Prepaid Mobile Telephony Services Surcharge
- Energy Resources Surcharge
- Natural Gas Surcharge

The Fee Collection Procedures Law (FCPL) treats excess tax reimbursement in the same manner as the SUTL. Numerous special tax and fee programs are administered pursuant to the FCPL, including, among others, the cannabis tax and the California electronic cigarette excise tax.

**Minting of pennies.** On November 12, 2025, the United States Mint ended production of the penny, citing a significant increase in production costs.<sup>1</sup> Approximately 114 billion pennies remain in circulation, and their status as legal tender will remain intact. The U.S. Treasury recommends that merchants adapt to the declining supply of pennies by rounding transactions up or down to the nearest 5 cents.

As pennies become increasingly unavailable, retailers have begun adopting interim rounding practices for cash transactions. In November 2025, the Retail Industry Leaders Association (RILA) surveyed 25 large retailers and found that nearly one-quarter reported more than 1,000 store locations without pennies.<sup>2</sup> RILA also reported that two-thirds of respondents were rounding transactions in favor of consumers when pennies were unavailable. Although this practice avoids overcharging customers, RILA stated that it can cost retailers millions of dollars when small rounding differences are multiplied across thousands of daily cash transactions.

Additionally, recent guidance from the National Conference of State Legislatures (NCSL) identifies symmetrical rounding as the preferred approach when pennies are unavailable.<sup>3</sup> Under that method, the final cash transaction amount, including taxes and fees, is rounded to the nearest five-cent increment: totals ending in 1, 2, 6, or 7 cents are rounded down, while totals ending in 3, 4, 8, or 9 cents are rounded up. NCSL further states that rounding should apply only at the point of cash payment and should not apply to electronic payments, checks, gift cards, or other non-cash instruments. Because tax is calculated first, to the nearest cent, and only the final cash amount due is rounded, this approach preserves existing sales tax computation rules. The model mirrors Canada's approach to this matter when it began phasing out the penny in 2013.

The author wants to provide legal clarity on the rounding of cash transactions for businesses and consumers alike by establishing a symmetrical rounding on the full cash purchase price of merchant transactions.

### **Proposed Law**

Assembly Bill 1793, commencing January 1, 2027, would require a merchant doing business in this state to determine the total price of goods or services paid entirely in cash or coin by:

- First, calculating the sum of goods and services, making subtractions for any applicable discounts, deductions, taxes, fees, or surcharges.
- Second, rounding to the nearest amount divisible by five, as follows.
  - *Rounding down* if the sum of goods and services ends in mills (tenths of one cent), one cent, or two cents.
  - *Rounding up* if the sum of goods and services ends in three cents or four cents
  - *Rounding down* if the sum of goods and services ends in six cents or seven cents.
  - *Rounding up* if the sum of goods and services ends in eight cents or nine cents.

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<sup>1</sup> <https://home.treasury.gov/news/featured-stories/penny-production-cessation-faqs>

<sup>2</sup> <https://www.rila.org/blog/2025/11/retailers-face-penny-shortages-call-for-federal-action>

<sup>3</sup> <https://www.ncsl.org/fiscal/elimination-of-the-penny-cents-able-considerations>

The rounding requirements would not apply to transactions in which:

- The sum of goods and services is two cents or less.
- Payment is made by any demand or negotiable instrument, electronic fund transfer, money order, credit card, debit card, electronic payment, or other like instrument.

The bill also defines several terms and provides that any merchant selling goods or services based on any action taken in compliance with this bill is not in violation of any state or local requirements, laws, regulations, or standards.

### **State Revenue Impact**

None.

### **Comments**

1. Purpose of the bill. According to the author, “AB 1793—the California Common Cents Act—responds to the recent end of penny production, providing critical legal clarity on the rounding procedures for businesses and consumers alike. By legalizing symmetrical rounding to the nearest nickel on the full cash purchase price, this bill provides clear guidelines for businesses and discourages strategic pricing against cash consumers. Credit, debit, and electronic transactions will remain unaffected, but a penny shortage will cause confusion and delays at the register for cash-paying customers. In the absence of federal guidance, it is up to the California State Legislature to ensure a smooth and transparent adoption of cash rounding.”
2. Point-of-Sale System Implementation. The cessation of penny production necessitates significant technical modifications to existing Point-of-Sale infrastructure. Implementation of the proposed rounding mandate requires comprehensive adjustments to cash acceptance and reporting systems to ensure compliance with the requisite protocols for transactions involving legal tender. Such efforts include designing systems that can differentiate between cash-based and electronic demand instruments, while mitigating operational risks and ensuring seamless integration with statutory tax reporting and payroll accounting systems.
3. Related legislation. Before the legislature this year is also SB 1005 (Caballero), which allows local agencies to round any payment made wholly or partly in cash to the nearest \$0.05, and any refund or other amount tendered wholly or partly in cash by said agency.
4. Double-referred. The Senate Rules Committee ordered a double referral for AB 1793: first to the Committee on Business, Professions and Economic Development, which passed the bill on a vote of 7 to 2, and second to the Committee on Revenue and Taxation.
5. Committee amendments. The Committee could amend AB 1793 in the following ways:
  - Delay this bill’s operative date to July 1, 2027.
  - Revise the definition of “merchant” to mean any person engaged in the business of selling goods or services at a physical location in this state.
  - Define “person” for purposes of the definition of “merchant” to mean any individual, firm, partnership, joint venture, limited liability company, association, social club, fraternal organization, corporation, estate, trust, business trust, receiver, assignee for the

benefit of creditors, trustee, trustee in bankruptcy, syndicate, this state, any county, city and county, municipality, district, or other political subdivision of the state, or any other group or combination acting as a unit.

- Define “total transaction price” to mean either:
  - The total amount of consideration received by the merchant for the sale of goods or services in a single transaction, including any applicable taxes, fees, or surcharges or tax, fee, or surcharge reimbursement, or
  - An installment payment made in a single transaction.
- Define “installment payment” to mean a sum of money due as one of multiple payments over a period of time pursuant to a contract of sale entered into by and between the merchant and the purchaser.
- Revise the definition of “legal tender” to mean all metal coins and paper currencies of the United States.
- Clarify that “Tax, fee or surcharge” does not include any taxes, penalties, additions to tax, fees, interest, or other charges, imposed pursuant to the Personal Income Tax and Corporate Income Tax Laws.
- Clarify that rounding applies to the total transaction price whenever a payment is made wholly in cash.
- Add cryptocurrency to the list of payment types excluded from the rounding requirements of the Act.
- Move the rounding requirement with respect to any cash refund issued by a merchant to a separate subdivision.
- Clarify the application of the provisions that address taxes, fees, or surcharges administered by CDTFA and move it to a standalone section.
- Authorize CDTFA to promulgate regulations to implement the provision that addresses tax, fee, or surcharge implications.
- Remove the provisions authorizing the Treasurer to promulgate regulations under this Act.
- Prohibit merchants from collecting from a purchaser an amount greater than the amount permitted after application of the rounding requirements and specifies that a violation of this provision is subject to the same remedies, penalties, inspection authority, and enforcement procedures applicable to a violation of Business and Professions Code Section 12024.2, which is enforced by the Division of Weights and Measures.
- Define “overcharge” to mean the amount collected in excess of the amount permitted after application of the rounding requirements pursuant to this Act.
- Provide that any refund issued by a merchant to a customer with respect to the sale of goods or services that is paid in whole or in part with legal tender shall be rounded in the same manner as the total transaction price pursuant to this section.
- Provide that any rounding made pursuant to this subdivision shall not alter or affect the exact amount authorized, cleared, or settled through any noncash payment system.
- State that no reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution.
- Add a preemption clause.
- Make technical and conforming changes.

### **Assembly Actions**

Assembly Appropriations Committee:  
Assembly Floor:

11-0  
62-1

**Support and Opposition** (6/22/26)

Support: California Fuels and Convenience Alliance  
California Grocers Association  
California Retailers Association  
CAMEO Network – California Association for Micro Enterprise Opportunity  
Cinema Association of California  
San Diego Regional Chamber of Commerce

Opposition: San Fernando Valley Alliance

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