Office of Senate Floor Analyses
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THIRD READING

Bill No: AB 1793
Author: Ward (D) and Rogers (D)
Amended: 6/25/26 in Senate
Vote: 21

SENATE BUS., PROF. & ECON. DEV. COMMITTEE: 7-2, 6/22/26
AYES: Wahab, Archuleta, Arreguín, Caballero, Menjivar, Richardson, Umberg
NOES: Niello, Strickland
NO VOTE RECORDED: Choi, Smallwood-Cuevas

SENATE REVENUE AND TAXATION COMMITTEE: 4-0, 6/24/26
AYES: McNerney, Ashby, Becker, Grayson
NO VOTE RECORDED: Alvarado-Gil

SENATE APPROPRIATIONS COMMITTEE: Senate Rule 28.8

ASSEMBLY FLOOR: 62-1, 5/21/26 - See last page for vote

SUBJECT: Cash payments: calculation

SOURCE: Author

DIGEST: This bill establishes the California Common Cents Act (Cents Act) to require merchants to round the portion of a transaction paid with legal tender to the nearest amount divisible by five cents after discounts, taxes, fees, and surcharges are calculated. Specifies how rounding applies to transactions involving both cash and noncash payment methods, provides that rounding does not affect the amount processed through electronic payment systems, authorizes the California Department of Tax and Fee Administration (CDTFA) to adopt implementing regulations, and provides a safe harbor from state and local liability for merchants complying with the Cents Act.

ANALYSIS:

Existing law:

1) Establishes the Division of Measurement Standards (DMS) under the California Department of Food and Agriculture, which is responsible for supervising the weights and measures program throughout the state and ensuring equity in the marketplace. (Business and Professions Code (BPC) §§ 12100 et seq.)

2) Requires county sealers of weights and measures to enforce state weights and measures laws, inspect commercial weighing and measuring devices, verify the accuracy of retail transactions, and protect consumers against fraud and misrepresentation in commercial transactions. (BPC §§ 12200-12246.)

3) Establishes California's weights and measures laws governing commercial transactions involving weighing, measuring, counting, and pricing practices and administered by DMS and county sealers of weights and measures. Requires the inspection and testing of commercial weighing and measuring devices used in commerce, including devices used to determine the quantity of goods sold to consumers. (BPC §§ 12500 et seq.)

4) Establishes California's point-of-sale scanner inspection program and authorizes county sealers to verify that the price charged to a consumer at checkout matches the price represented to the consumer. (BPC §§ 13300-13332.)

5) Prohibits a retailer from charging a price for an item that exceeds the lowest price posted, advertised, marked, displayed, or quoted for that item and authorizes enforcement of retail pricing accuracy requirements. (BPC §§ 12024.2, 13300 et seq.)

6) Imposes a sales and use tax on retailers for the privilege of selling tangible personal property at retail in this state and authorizes retailers to collect sales tax reimbursement from customers. (Revenue and Taxation Code §§ 6051, 6201.)

7) Provides that United States coins and currency are legal tender for all debts, public charges, taxes, and dues. (31 United States Code (U.S.C.) § 5103.)

8) Authorizes the United States Department of the Treasury and the United States Mint to produce and issue coins and currency for circulation. (31 U.S.C. §§ 5111-5112.)

This bill:

1) Establishes the California Common Cents Act, operative July 1, 2027, and defines specified terms for purposes of the Act. Requires a merchant, when the total transaction price is paid entirely with legal tender, to round the total transaction price as follows:

    a) A total transaction price ending in one cent, two cents, six cents, or seven cents must be rounded down to the nearest amount divisible by five cents.

    b) A total transaction price ending in three cents, four cents, eight cents, or nine cents must be rounded up to the nearest amount divisible by five cents.

    c) Exempts various transactions from the rounding requirements.

2) Requires a merchant, when payment is made using a combination of legal tender and one or more other payment methods, to round the portion of the total transaction price equivalent to the amount paid with legal tender in the same manner as a transaction paid entirely with legal tender. Provides that rounding in a transaction involving both legal tender and a noncash payment method must not alter or affect the exact amount authorized, cleared, or settled through a noncash payment system.

3) Requires a refund paid in whole or in part with legal tender to be rounded in the same manner as the total transaction price.

4) Provides that a merchant selling goods or services is not in violation of state or local requirements, laws, regulations, or standards based on a lawful action taken in compliance with the Cents Act.

5) Requires any rounding adjustment to be disregarded when computing an applicable tax, fee, surcharge, related reimbursement, or the measure of that tax, fee, surcharge, or reimbursement.

6) Prohibits a person, in connection with a retail transaction subject to cash rounding, from collecting an amount greater than the amount permitted after applying the rounding requirements.

7) Subjects a violation of the prohibition against collecting an excessive amount to the same remedies, penalties, inspection authority, and enforcement procedures applicable to an overcharge under weights and measures laws.

8) Provides that the overcharge and enforcement provisions do not apply to the calculation, reporting, or remittance of taxes administered by the California Department of Tax and Fee Administration (CDTFA). Authorizes CDTFA to adopt regulations to implement the requirement that rounding adjustments be disregarded for purposes of computing applicable taxes, fees, surcharges, and reimbursements.

Background

According to the U.S. Department of the Treasury (Treasury), penny production is being suspended because the total production cost of a penny rose from 1.3 cents to 3.69 cents over the past decade. The U.S. Mint projects roughly $56 million in immediate annual savings from stopping production. As the Federal Reserve will continue to recirculate the roughly 114 billion pennies already in existence for as long as possible, pennies remain legal tender and retain their value. A July 2025 brief from the Federal Reserve Bank of Richmond (Economic Brief No. 25-27, The Cost of Rounding Cash Transactions to Eliminate Pennies) examined the likely effects of penny elimination on consumers and concluded that the primary consumer impact is likely to result from the rounding of cash transactions, rather than from changes in the underlying prices of goods and services.

Retail pricing is generally set by the merchant at the item level and then processed through a point-of-sale system that applies discounts, coupons, and applicable state and local sales tax before the customer pays. In California, sales tax is imposed on retailers but retailers may collect sales tax reimbursement from customers. Retailers must report and pay sales tax to CDTFA based on their taxable sales. Today, a price ending in $0.97, for example, can be charged and paid exactly in cash with pennies. Recent reporting on Treasury's penny phaseout plan notes that businesses may increasingly round cash transaction totals to the nearest nickel as pennies become scarcer in circulation. Treasury guidance states that businesses may round cash transactions and cites the National Conference of State Legislatures' recommendation for "symmetrical rounding," under which transaction totals ending in 1, 2, 6, or 7 cents are rounded down and totals ending in 3, 4, 8, or 9 cents are rounded up. Treasury notes that it is working with point-of-sale system providers and stakeholders to facilitate implementation of rounding practices in order to minimize consumer confusion.

Industry groups and economists have noted that the elimination of the penny will have operational consequences for retailers and cash-paying consumers, even if the overall economic impact is expected to be relatively small. According to the National Retail Federation (NRF), the principal concern is not the loss of the penny itself, but the lack of uniform rules governing how businesses should round cash transactions. The NRF has supported federal legislation that would establish a consistent nationwide rounding standard, arguing that customers may become confused if different retailers adopt different rounding practices and that legislative clarity is needed to ensure fairness and compliance with consumer protection laws.

The banking industry has expressed similar concerns. According to the American Bankers Association (ABA), as pennies become less available, banks and retailers may need to round cash transactions to the nearest nickel, similar to practices adopted in Canada and Australia after those countries discontinued their lowest-denomination coins. The ABA notes that electronic payments would continue to be processed to the exact cent, while only cash transactions would be subject to rounding.

This bill does not eliminate the penny or alter the calculation of prices, taxes, fees, or surcharges but establishes a uniform statewide method for determining the final cash amount exchanged when exact penny settlement is no longer practical.

Weights and Measures. California's weights and measures laws are designed to protect both consumers and honest businesses by ensuring that commercial transactions are conducted fairly, accurately, and transparently. According to the California Department of Food and Agriculture's (CDFA) Division of Measurement Standards (DMS), California's measurement system is intended to promote equity in the marketplace by ensuring that consumers receive the quantity of goods and services for which they pay and that businesses compete on a level playing field. DMS serves as the state's primary authority for weights and measures enforcement and works in partnership with county sealers of weights and measures to inspect commercial weighing and measuring devices, verify pricing accuracy, and investigate consumer complaints.

County sealers of weights and measures are responsible for enforcing California's weights and measures laws at the local level. Among their duties, county officials inspect retail point-of-sale systems, verify scanner accuracy, test weighing and measuring devices, ensure advertised prices match prices charged at checkout, and investigate instances in which consumers may be overcharged. The overarching purpose of these programs is to ensure that consumers receive exactly what is represented and charged in a commercial transaction.

As the federal government phases out production of the penny, cash transactions may increasingly require rounding to the nearest five cents. Although the underlying sales price, discounts, and taxes may continue to be calculated to the penny, the final cash payment amount may no longer be capable of exact settlement when pennies are unavailable. This raises issues similar to those traditionally addressed by California's weights and measures laws: ensuring consumers understand how prices are calculated, ensuring merchants apply rounding consistently, and ensuring that customers are not systematically overcharged or undercredited through the transaction process.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: Yes

SUPPORT: (Verified 8/4/26)

California Fuels and Convenience Alliance
California Grocers Association
California Restaurant Association
California Retailers Association
California Association for Micro Enterprise Opportunity
Cinema Association of California
San Diego Regional Chamber of Commerce

OPPOSITION: (Verified 8/4/26)

San Fernando Valley Alliance

ARGUMENTS IN SUPPORT: Supporters write that this bill provides much-needed clarity and uniformity for retailers and consumers by establishing a standardized approach to rounding cash transactions to the nearest nickel… By applying rounding to the final, post-tax purchase price or change, AB 1793 also avoids complications with sales tax calculations and discourages pricing strategies that could disproportionately impact cash-paying consumers. Supporters say that this bill reduces the risk of inconsistent practices and helps ensure customers are treated equitably regardless of where they shop and that the bill will simplify cash handling, reduce the administrative burden associated with one-cent coins, and improve transaction efficiency for both businesses and consumers. According to supporters, a standardized rounding rule reduces transaction issues, speeds up checkout times, and eliminates the need for businesses to maintain penny supplies that have become increasingly scarce and outdated and supporters not that in the absence of federal legislation on cash transaction rounding, it is essential that California provides clarity.

ASSEMBLY FLOOR: 62-1, 5/21/26
AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Connolly, Davies, Elhawary, Fong, Gipson, Jeff Gonzalez, Mark González,

Haney, Harabedian, Hart, Irwin, Jackson, Johnson, Kalra, Krell, Lee, Lowenthal, McKinnor, Nguyen, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ransom, Michelle Rodriguez, Rogers, Blanca Rubio, Sanchez, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Tangipa, Valencia, Wallis, Ward, Wicks, Wilson, Zbur, Rivas
NOES: DeMaio
NO VOTE RECORDED: Arambula, Castillo, Chen, Dixon, Ellis, Flora, Gabriel, Gallagher, Garcia, Hadwick, Hoover, Lackey, Macedo, Muratsuchi, Ramos, Celeste Rodriguez, Ta

Prepared by: Sarah Mason / B., P. & E.D. /
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