2026 Penny Rounding Workgroup Meeting

July 23, 2026

Virginia Tax

Topics to Be Discussed

- Introduction
- Review of House Bill 954 (Chapter 713)
- Statement of Purpose
- Overview: Workgroup Road Map
- Open Forum: Input and Discussion
- Next Steps

Department of Taxation Contacts

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Purpose and Legislative Mandate

Purpose/Legislative Mandate: How did we get here?

- The United States Mint ceased penny production in November 2025
- The Dillon Rule problem: no rounding without express statutory authority
- HB 954 Introduced: Permanent locality rounding authority; no study mandate
- HB 954 Enacted: Temporary authority through 7/1/2027; Virginia Tax study

Purpose/Legislative Mandate

- Enactment 2 (Temporary Authority): Localities may adopt temporary rounding ordinances; authority expires July 1, 2027.
- Enactment 3 (Evaluation): The Department of Taxation shall evaluate options and recommend a uniform statewide procedure for how localities adjust bills and account balances for cash payments, specifically:
  - Whether bills and balances should be rounded to the nearest five-cent increment, and
  - Whether sums less than five cents should be written down or written off.
- Report Due: November 1, 2026, to the Chairs of the Senate Committee on Finance and Appropriations and the House Committee on Appropriations.

Purpose/Legislative Mandate: HB 954, Enactment 3

- *"That the Department of Taxation shall evaluate options and recommend a uniform procedure by which all localities of the Commonwealth shall adjust bills and account balances for taxes and other charges due to the locality and paid for by a cash transaction to account for the cessation of production of the penny coin by the United States Mint. Such evaluation shall consider whether to provide for the rounding of such bills and account balances to the nearest five-cent increment and the write-down or write-off of sums due that are less than five cents. The Department of Taxation shall report the findings of its evaluation and any recommendations to the Chairs of the Senate Committee on Finance and Appropriations and the House Committee on Appropriations no later than November 1, 2026."*
- **Key takeaway**: While the elimination of the penny and resulting rounding conventions have economy-wide implications, this workgroup's focus is narrower and more novel: how should local governments handle the cash payments they receive directly?

What This Workgroup is—and is NOT—Considering

This workgroup is not considering:

- Private retail cash transactions: HB 954 resolves this permanently.
- Cash wages, rent, bank disbursements, mortgages, commercial debt: HB 954 grants permissive authority; federal framework remains unsettled.
- Any changes to tax calculation: taxes are calculated on the exact pre-rounding amount per HB 954.

This workgroup is considering:

- A uniform statewide approach to how Virginia localities should round cash payments received directly from taxpayers.
- Which direction localities should round (symmetric vs. always round down).
- Whether sub-nickel residuals should be written off or carried forward.

The Penny Rounding Landscape

International Precedent: A Common Framework

- The universal rule: “Calculate first, round last”: taxes calculated on exact pre-rounding amount; rounding applies only to the final cash payment, never to electronic transactions.
- Australia (1992): 30+ years stable; coins remain legal tender.
- Canada (2013): Symmetric nearest-5¢; 13 years, no issues.
- New Zealand (1990/2006): Rounds to nearest 10¢.
- Switzerland (2007): Embedded in POS software as default.
- European Union EU (Finland, Netherlands): 2018 Commission analysis; electronic payments always settled to exact cent.
- Common thread: Every jurisdiction separates the tax calculation from the payment adjustment.

Private vs. Public Transactions: A Fundamental Distinction

Private Transactions (Consumer → Merchant) — ALREADY SETTLED

- HB 954 §6.2-200.1 resolves this permanently: symmetric rounding is permissive for all Virginia cash transactions.
- National context: NCSL SALT Task Force recommended symmetric rounding for private retail transactions.
- Nothing left to study.

Public Transactions (Taxpayer → Local Government) — THIS WORKGROUP'S FOCUS

- Occur when paying a tax bill or other amount directly to a locality.
- Almost no state has addressed this question directly.
- Indiana and Kentucky are the only identified states with a specific rule.

Indiana: Always Round Down for Local Governments

Senate Bill 243. Signed March 5, 2026. Effective immediately.

Private Transactions

- Retailers may round cash totals to the nearest nickel, either up or down at their discretion.
- Tax is calculated on the exact pre-rounding amount and remitted in full.

Local government collections

- State and local government units MUST always round DOWN.
- Rationale: government should never over-collect from a cash-paying taxpayer.

Kentucky: Symmetric Rounding for Local Governments

House Bill 757, Acts Chapter 161. Effective July 15, 2026.

Private Transactions

- Rounding applies to the post-tax total of a cash transaction to the nearest five-cent increment.
- Does not specify direction (symmetric or always down); rounding direction is a discretion.

Local government collections

- Symmetric nearest five-cent rounding.

Other State Activity: Pending Legislation and Notable Proposals

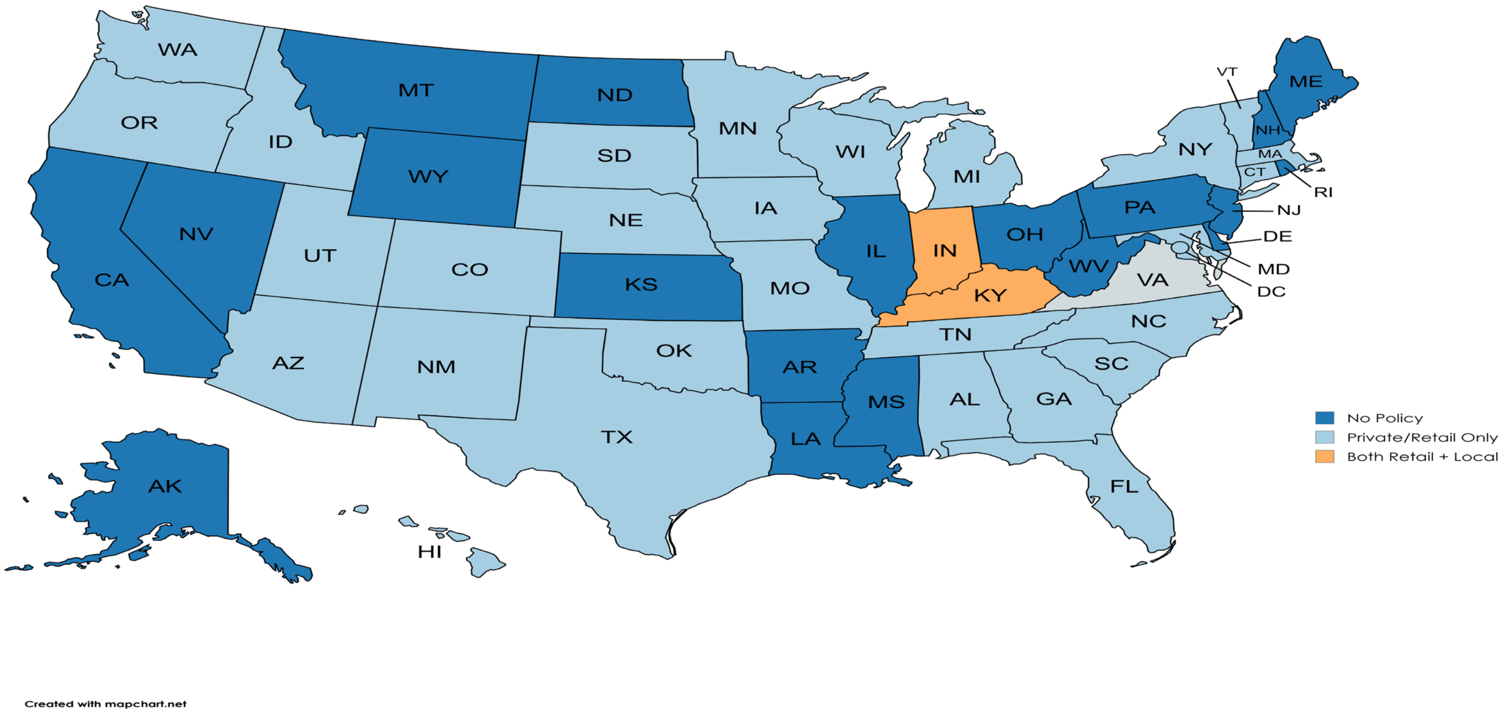
PENNSYLVANIA – House Bill 2388

- Applies to business, government agencies, municipalities, and public utilities.
- Uses symmetric nearest-nickel rounding.
- No study directive; moving directly to legislation.
- Pending in the Senate (as of July 2026).

OHIO – House Bill 737

- Applies rounding to state and local government cash payments (taxes, tolls, fees, fines).
- Does not apply to private transactions.
- Introduced but not enacted.

Private vs. Public Transactions: A Fundamental Distinction



*Virginia Tax staff research as of July 14, 2026. **Pennsylvania legislation, House Bill 2388, is currently pending and would address cash payments across both private and public sectors, including government agencies and municipalities.

Virginia Tax

The Two Main Policy Questions

Q1: Which Rounding Direction?

- Symmetric (Kentucky approach): consistent with private transactions in most states and aligns with international precedent: 1¢/2¢ down; 3¢/4¢ up; 6¢/7¢ down; 8¢/9¢ up.
- Always Round Down (Indiana approach): government never over-collects from a cash-paying taxpayer.

Q2: What Happens to Sub-Nickel Residuals?

- The problem: a $1,847.21 bill rounds to $1,847.20, leaving a $0.01 residual that, without an explicit rule, billing systems treat as an unpaid balance.
- Option 1: Write-Off: Residual forgiven at payment; account closed; Dillon Rule authority may be required.
- Option 2: Carry-Forward: Residual rolls to next bill; Requires tracking.

Operational Reality: Are Systems Ready?

- Major government billing platforms used by Virginia localities may not yet have penny rounding functionality available or documented.
- Legacy/custom systems present the highest risk — upgrades are budget-cycle, not release-cycle, dependent.
- Stakeholder input on current system capabilities is essential to Virginia Tax's evaluation.

Open Forum

Questions and Comments

Open Forum: Questions and Comments

- What is your volume of cash payments from taxpayers directly?
- What rounding approach (symmetric vs. always round down) would be most workable given your operational experience?
- Write-off vs. carry-forward for sub-nickel balances: which can your systems support today?
- What is your billing system's current readiness for rounding, and which approach makes the most sense technologically?
- Should permanent legislation have transition relief for localities whose systems won't be ready by July 1, 2027? What would that look like?
- Are there additional penny-cessation gaps that the General Assembly should be aware of, which are impacting localities?
- Virginia Tax may consider conducting a statewide survey; what questions should be included?

Next Action Items

Step 1

Workgroup Meeting

Completed!

Step 2

Virginia Tax may conduct a survey of localities to assess billing-system readiness

Step 3

Provide policy options and written comments by August 5, 2026

- To: katherine.spivey@tax.virginia.gov

Step 4

Circulate draft report to stakeholders by September 18, 2026

- Provide any additional written comments by October 1, 2026.

Virginia Tax

Next Steps

- Presentation will be made available on the Virginia Tax webpage: https://www.tax.virginia.gov/ (coming soon)

- Final Report Submitted by November 1, 2026, to the following:
  - The Chairperson of the House Committee on Appropriations; and
  - The Chairperson of the Senate Committee on Finance and Appropriations.

Thank You!

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