The US Penny Phase-Out

The US Treasury announced the end of the production and distribution of the penny last year. ABA is reaching out to regulators and legislators for clarification and will update members when we know more.

What You Need to Know

- **Check With State and Local Authorities:** To avoid legal issues, you MUST check with your state and local revenue office for administrative guidelines. The main risks would be potential fines from the state for under-collection of tax or class-action suits for over-collection, according to Avalara. You should regularly monitor for guidance issued by state and local authorities or check with ABA.
- **Determine your Store's Rounding Protocol:** At present, there is no federal legislation or uniform rounding rule. The most common method is rounding to the nearest nickel. So an item that is $9.98 would be $10 and an item that is $9.97 would be $9.95.
- **Sales Tax Calculation:** The sales tax you charge must still be figured out and remitted precisely, down to the last cent, based on the original price before any rounding. Any extra or fewer cents the store collects from rounding the final cash total is simply a gain or loss for the store, not a change to the amount of tax money you have to pay to the state.
- **Varying State and Local Approaches:** Check with your state and local revenue office for administrative guidelines. Booksellers should continue to regularly monitor for guidance issued by state and local authorities or check with ABA.
- **Contact your POS Vendor:** Be sure to reach out to your point-of-sale vendor ASAP to discuss the penny phase-out and its impact on sales tax calculations and remittance.
- **Contact your Bookkeeper/Accountant:** If you use an outside accountant, be sure to speak with them about the penny phase-out to ensure you are on the same page and that taxes will be calculated properly.
- **Electronic Payments:** Non-cash transactions (credit cards, checks, etc.) are exempt from rounding and must continue to be processed to the exact cent.
- **Pricing Review:** With regard to ancillary items/non-book items, bookstores could adjust prices to end in 0 or 5 cents to minimize the need for rounding altogether and simplify transactions for both staff and customers.
- **Communication:** Post signs and communicate rounding policies to customers clearly to manage shopper expectations, as the phase-out may cause confusion.
- **Staff Training:** Train staff on the new rounding policies.
- **Stay Informed:** Closely monitor updates from official sources like the US Mint and state tax departments.
- **Check the US Treasury FAQs:** **Visit their website for more information >**

For any questions, reach out to ABA's Advocacy division via email at advocacy@bookweb.org.