

## **Penny Shortage**

Due to rising costs of production, the U.S. Treasury stopped minting pennies on November 12, 2025. Although over 100 billion pennies are in circulation, penny shortages are already occurring with cash transactions at some retail establishments. When giving change back to their customers in cash transactions, retailers may need to round to the nearest nickel. However, any rounding must not impact the calculation of the 6% Kentucky sales and use tax because, regardless of the form of payment, the tax must be calculated to the nearest penny as required under KRS 139.230.

If rounding is needed, the department recommends using standard rounding rules in the example below. *Please note that rounding occurs only after the calculation of the sales tax.*

The standard rounding rules are:

1. If the last digit is 1, 2, 6, or 7 cents - round down to the nearest nickel; and
2. If the last digit is 3, 4, 8 or 9 cents - round up to nearest nickel.

This method is likely the fairest overall for both retailers and customers.

ITEM SOLD	TAX CALCULATION AND ROUNDING
Taxable Item 1	\$1.99
Taxable Item 2	\$2.39
Nontaxable Item	\$4.99
Nontaxable Item 2	\$3.99
Subtotal:	\$13.36
Sales Tax Due (\$4.38 x 6%)	\$.26
Total Transaction Amount	\$13.62
Rounding for Cash Payment:	(\$0.02)
Cash Amount Due:	\$13.60

Again, non-cash transactions as well as the remittance of sales tax to the Department of Revenue should not be impacted by the shortage. The sales tax liability on all retail sales transactions must be calculated to the nearest penny.