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February 2, 2026

Via E-mail

The Honorable Rodric Bray
President Pro Tempore
Indiana Senate

The Honorable Todd Huston
Speaker
Indiana House of Representatives

Re: Request for Amendment of S.B. 243 to Remove the Sales Tax Rounding Provision and Only Round when Change is Provided to a Purchaser

Dear President Pro Tempore Bray and Speaker Huston:

On behalf of the Council On State Taxation (COST), we are providing comments today to urge you to amend S.B. 243, Chapter 1, Section 3, and eliminate the rounding of the sales tax.¹ Any rounding to deal with the shortage of pennies should only occur when a retailer provides change to a purchaser; it should not affect the sales tax calculation. The proposed rounding method in S.B. 243 also fails to align with how other states are addressing this issue, making Indiana an outlier. Accordingly, the rounding provisions passed by the Senate in S.B. 243 are unworkable and would place significant burdens on Indiana retailers. The burdens arise because, as explained in greater detail below: 1) most retailers do not know which payment method a purchaser will use until the end of the transaction, and 2) typical point-of-sale (POS) systems are not designed to calculate sales tax differently based on whether cash or another payment method is used. Further, it may also trigger double rounding by retailers—first rounding the sales tax to an amount divisible by a nickel (which is not compliant with the Streamlined Sales and Use Tax Agreement (SSUA))², and then rounding again when providing change to a purchaser.

About COST

COST is a nonprofit trade association based in Washington, DC. COST was formed in 1969 as an advisory committee to the Council of State Chambers of Commerce and today has an independent membership of approximately 500 major corporations engaged in interstate and international business. COST's objective is to preserve and

¹ S.B. 243, Chapter 13, Section 3, would also need to be amended to apply to retail transactions.

² Section 324 of the SSUTA requires member states to round sales tax to the penny using rounding down if the third decimal place is 4 or less and up if 5 or more. There is no need for Indiana to change this rounding requirement because the rounding should only be done when a retailer provides change to the purchaser based on the transaction total (which should include all taxes and fees).

promote the equitable and nondiscriminatory state and local taxation of multijurisdictional business entities. Many COST members conduct business and retail operations in Indiana and would be negatively impacted by this proposed change.

Problems with Current Provisions in S.B. 243

Below are some of the significant problems with the rounding of the sales tax in S.B. 243:

- **Type of Payment Unknown** – In most retail transactions, the payment method chosen by a purchaser is typically not known until all products are purchased, including all applicable taxes and fees, and the total transaction amount is generated. If S.B. 243 is adopted, Indiana will be the only state where purchasers would need to declare their method of payment in advance for every transaction.³
- **Unnecessary Rounding** – Without an amendment, S.B. 243, Chapter 1, Section 3, would potentially require retailers to use three separate rounding operations: 1) a sales tax calculation when a retailer provides change (cash transactions), 2) a separate sales tax calculation when a payment method does not require change (non-cash transactions), and 3) rounding again to an amount divisible by a nickel when a retailer tenders change. This adds unneeded complexity.
- **Require Expensive POS Changes** – Retailers will incur costly resources and time changing two major systems (sales tax calculation and POS technology) to comply with the current approach in S.B. 243. The rounding methodology would need to accommodate hybrid payment scenarios, potentially requiring systems to calculate and apply different rounding rules to different portions of the same transaction. There is no need for retailers who lack pennies to change the current sales tax calculation. If S.B. 243 is adopted, many retailers would be forced to make significant changes to their POS systems, some of which are basic cash registers that are only able to calculate 5/4 rounding for sales tax to the penny.⁴
- **Not SSUTA Compliant** – Indiana is a full member state of the SSUTA. The process in S.B. 243 would not be in substantial compliance with the SSUTA requirement that member states must use 5/4 rounding to the nearest cent for sales tax calculations.⁵ When using cash, there is no need to round sales tax differently from other types of payments.

³ Purchasers sometimes make “mixed” payments on a transaction total by using an electronic payment or other instrument as partial payment, then paying the balance with cash, which may require a retailer to round change to the nearest nickel. For example, a purchaser may indicate the purchaser is paying \$20 with cash and pays the remaining balance with a credit card – there would be no need to round the tax or the total transaction amount in that situation. In contrast, a purchaser may indicate the purchaser wants to place a \$20 charge on a credit card and pay the remaining balance with cash – that could require rounding on the total transaction amount.

⁴ This could impact many retailers, but it is likely small retailers/businesses operating in the State would incur the greatest difficulty complying with this change because of a lack of sufficiently sophisticated POS systems needed to make such a calculation.

⁵ To our knowledge, all other sales tax states use this 5/4 rounding rule except for one state, Maryland, which uses a bracketed sales tax collection mechanism.

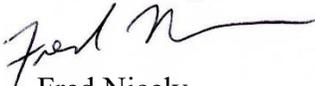
Recommended Solution

Any rounding adjustment **should take place at the very end of the transaction** when actual change is provided to a purchaser. There is no need to round the sales tax to an amount divisible by a nickel denomination at the sales tax calculation stage. S.B. 243's bifurcated approach presents unnecessary complications and costs for retailers (and purchasers) and offers an illogical solution to the penny shortage issue.

Conclusion

For the foregoing reasons, we respectfully recommend amending S.B. 243 to remove the rounding of the sales tax to an amount divisible by a nickel. Please let us know if you have any questions.

Respectfully,



Fred Nicely



Aziza Farooki

cc: Chair Travis Holdman, Senate Tax and Fiscal Policy Committee
Chair Jeffrey Thompson, House Ways and Means Committee
Natalie Goodwin, Indiana Chamber of Commerce
Melissa Coxey, Indiana Retail Council
COST Board of Directors
Patrick J. Reynolds, COST President & Executive Director