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May 12, 2026

Via E-mail

Representative Bill Roemer, Chair
Representative David Thomas, Vice Chair
Representative Daniel P. Troy, Ranking Member
Ways and Means Committee
Ohio House of Representatives

Re: COST Supports Penny Rounding Provisions in House Bill 737 with Proposed Amendments

Dear Chair Roemer, Vice Chair Thomas, Ranking Member Troy, and Members of the Committee:

On behalf of the Council On State Taxation (“COST”), we respectfully submit this testimony in support of House Bill 737 (“H.B. 737”) **with the adoption of amendments.**

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 more than 450 major corporations engaged in interstate and international business, many of which directly conduct business in Ohio. COST’s objective is to preserve and promote the equitable and nondiscriminatory state and local taxation of multijurisdictional business entities.

Penny Shortage Conundrum with State and Local Taxes & Fees

We commend the Ohio Legislature for its efforts to resolve the state and local tax complications resulting from the U.S. Treasury's suspension of penny production. The COST Board of Directors has adopted a policy position to inform states as they issue guidance to address these complications:¹

The U.S. Treasury stopped the minting of the penny in 2025 which ultimately will create a shortage, affecting sellers’ ability to provide exact change to purchasers paying with cash. Such cash transactions will require rounding to an amount divisible by a nickel when providing cash change to a purchaser based on the total transaction amount, including all taxes and fees. Any amount rounded up or down to the nearest nickel should not affect the taxable sales price. Sales tax should

¹ COST’s Policy Position is available here: <https://www.cost.org/globalassets/cost/state-tax-resources-pdf-pages/cost-policy-positions/penny-shortage-conundrum-with-state-and-local-taxes--fees-final.pdf>.

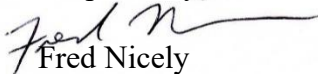
continue to be calculated for all payment methods (cash and noncash) using the 5/4 rounding to the nearest penny.² COST does not support the rounding of taxes and fees to the nearest nickel. Further, federal laws (and/or state laws) should make it clear that a seller's rounding when providing change to a purchaser to an amount divisible by a nickel does not invoke any other federal or state laws that may require cash transactions to have the same treatment as non-cash transactions. COST fully endorses a uniform federal law to require all states to use the same rounding procedure.

Amendments are needed to the original version of H.B. 737 to clarify that the rounding includes fees, and the State's consumer protection or other laws not consistent with the rounding provision are preempted. The amendments are needed to further clarify that the tax amount to be remitted to the State by the merchant is not impacted by rounding (*i.e.*, no proration of the tax).

Conclusion

With amendments, we urge you to adopt H.B. 737 to provide guidance for all businesses in Ohio to apply rounding to the total transaction amount that includes all taxes, fees, and surcharges.

Respectfully,


Fred Nicely


Aziza Farooki

cc: COST Board of Directors
Patrick J. Reynolds, COST President & Executive Director

² To our knowledge, all sales tax states use this 5/4 rounding rule except for one state, Maryland, which uses a bracketed sales tax collection mechanism. States should round sales tax to the penny using rounding down if the third decimal place is 4 or less and up if 5 or more. Rounding to an amount divisible by a nickel is only needed when cash change is provided by a merchant to a customer based on the "final price."