

H-837 - An act relating to rounding cash transactions

Bill notes and summary

How rounding would work: The "Nickel Rounding for Cash Transactions Act" would allow Vermont businesses to round cash transaction totals to the nearest amount divisible by 5 measured in cents.

Amounts ending in \$0.01, \$0.02, \$0.06, or \$0.07 round *down*, while amounts ending in \$0.03, \$0.04, \$0.08, or \$0.09 round *up*.

Protections:

- If a business rounds a transaction, any cash refund must be issued in the exact amount originally paid.
- Rounding cannot be used to discriminate or constitute an unlawful price increase or deceptive practice.
- Businesses must post a clear disclosure at the point of sale or on receipts if they round.
- **Taxes must still be calculated and remitted on the pre-rounding amount.**
 - Tax revenue will not be directly affected.
 - Businesses or consumers will be affected to the extent they absorb or benefit from rounding.
 - Businesses must track both pre-rounding and post-rounding amounts for tax reporting and their own accounting.

Exclusion: Electronic/noncash payments, wages, rebates, and federally governed transactions are all excluded.

Economic impact estimates

Average number of transactions per month

- Estimate: ~15% of transaction volume (not value) in Vermont are non-cash transactions.¹
- People make average of 7 cash transactions per month out of 48 average total transactions per month

Transactions size

- Avg cash transaction was \$22 in 2016, avg non-cash transaction was \$112 total. (cash avg is 20% of non cash).
- Avg transaction in 2024 was \$142, so if average cash transaction remained 20% of that, it would be ~\$28.²

In Vermont

- 7 cash transactions/ month at \$28 = \$196 → Round to \$200/month in cash transactions per Vermonter.
- Total monthly cash transaction value estimate: **\$130 million**
- Total number of cash monthly transactions in Vermont: **4.55 million**
- Maximum adjustment per transaction is +/- \$0.02.
- Average estimated impact on all Vermont cash transactions: +/- \$91,000/month or \$1.1 million per year.
- Average estimated impact per Vermonter: +/- \$0.14 per month, or \$1.68 per year.

What We Can Learn From Canada's Rounding Laws

Studies on Canada's rounding laws have shown worse outcomes for consumers overall.³ Specifically regarding study on grocery store transactions:

¹ Federal Reserve Bank of Boston. (2017). The 2016 Diary of consumer payment choice.

<https://www.bostonfed.org/publications/research-data-report/2017/the-2016-diary-of-consumer-payment-choice.aspx>

² FRB Services. (2025). 2025 Diary of Consumer Payment Choice.

<https://www.frbservices.org/news/fed360/issues/060325/cash-2025-findings-diary-consumer-payment-choice#:~:text=In%202024%2C%20cash%20accounted%20for,cash%20in%20the%20U.S.%20economy.>

³ Cheung, C. (2018) Eliminating the penny in Canada: An Economic Analysis of Penny-Rounding on Grocery Items. <https://link.springer.com/article/10.1007/s11293-018-9584-8>

- Over 60% of grocery store transactions ended in 0.09, leading to a “rounding tax” on consumers.
- One and two item transactions produced statistically significant unfair rounding at the expense of consumers. Transaction of three or more item transactions has no net rounding effect.
 - This was consistent across all Canadian provinces.
- “Rounding tax” added up to an additional \$157 CAD in average annual revenue for Canadian grocery stores.
- A \$0.10 CAD expense per year for an individual Canadian.
- Additionally, it was noted in the study that individuals with an income under \$45,000 CAD are more likely to use cash, thus potentially being more affected by “rounding tax” than higher income individuals and households.

*This study used simulated scenarios, and does not necessarily reflect actual consumer behavior.

Other studies that analyzed US consumer data found the potential harm to consumers to be less than what studies on Canada have shown.⁴

- A US study by the National Conference of State Legislatures found the total “rounding tax” on US adults would be \$6.06 million.
- This outcome would have on average a \$0.02 annual impact per American.
- Similar to Canada, Americans with lower incomes are most likely to use cash than higher income households.

*This study used real consumer data, but using consumer data from jurisdictions without any rounding laws, so stores that may be affected by rounding are not taking that into account when pricing their items.

Takeaway questions and considerations:

- How or whether to address the possible impact of strategic pricing from businesses to benefit from rounding?
- Businesses may need an updated POS system to account for changes in what they are charging vs. reporting for taxes.

⁴ NLCS. (2025) Elimination of the Penny: Cents-able Considerations.
<https://www.ncsl.org/fiscal/elimination-of-the-penny-cents-able-considerations>

Sources

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