



Bill Analysis

Author: Ward and Rogers

Sponsor:

Bill Number: AB 1793

Related Bills: See Legislative
History

Introduced February 10, 2026,
and Amended April 7, 2026

SUBJECT

California Common Cents Act

SUMMARY

This bill would, under the Civil Code, add the California Common Cents Act and require merchants doing business in the state to round cash transactions up or down to the nearest amount divisible by five starting January 1, 2027.

This is the Franchise Tax Board's (FTB) first analysis of the bill and only addresses the provisions of the bill that would impact the FTB's programs or operations.

RECOMMENDATION

No position—The three-member Franchise Tax Board has not formally voted or taken a position on this bill.

SUMMARY OF AMENDMENTS

The April 7, 2026, amendments modified the calculation of rounding on cash transactions, modified the title of the Act, added that the Treasurer would promulgate regulations to implement this bill instead of the Commissioner of Financial Protection and Innovation, and made other nonsubstantive changes.

REASON FOR THE BILL

The reason for the bill is to provide rounding guidelines for merchants and eliminate any cash payment pricing strategies due to the elimination of the United States (US) penny.

ANALYSIS

This bill would add the California Common Cents Act to the Civil Code and would require merchants doing business in the state to determine the total price of goods or services as follows:

- Calculate the sum of goods and services, subtract any discount or deductions, and then add any applicable taxes, fees, and surcharges including a sales and use tax, electronic recycling fee, tire fee, and 911 surcharge in accordance with all applicable laws.
- If the sum of the transaction results in a mill, one cent, two cents, six cents, or seven cents at the end of the sum, or the final cash amount to be returned to the customer, then the merchant would round the amount down to the nearest divisible of five cents.
- If the sum of the transactions results in three cents, four cents, eight cents, or nine cents at the end of the sum, or the final cash amount to be returned to the customer, then the merchant would round the amount up to the nearest divisible of five cents.

The bill would define the following:

- "Merchant" means any person, corporation, or partnership engaged in the business of the sale of goods or services.
- "Legal tender" means all coins and currencies of the US.

The above would not apply to the following transactions:

- The total price of goods or services is two cents or less.
- The payment used in the transaction includes a negotiable instrument, electronic fund transfer, money order, credit card, electronic payment, or other similar instruments.

This bill would exempt the gains or losses resulting from the rounding of these transactions from taxes imposed by the state or local governments.

Effective/Operative Date

This bill would be effective and operative January 1, 2027.

Federal/State Law

Federal and state laws provide that gross income includes all income from whatever source derived, including compensation for services, business income, gains from property, interest, dividends, rents, and royalties, unless specifically excluded. Types of income currently excluded include amounts received as a gift or inheritance, certain compensation for injuries and sickness, educational assistance programs, foster care payments, interest received on certain state or federal obligations, and qualified

scholarships. In addition, federal and state laws allow a deduction for all ordinary and necessary expenses paid or incurred during the taxable year in carrying on a trade or business.

In general, there are several specific provisions in the federal and state laws that allow for the rounding of certain payments upon the remittance of such payments to the appropriate state or local agencies. However, there are no general rounding provisions in the federal or state law.

State Law

Legislation that would create a new tax expenditure, which includes a credit, deduction, exemption, or any other tax benefit as provided for by the state, is required to include specific goals, purposes, objectives, detailed performance indicators and data collection requirement measures to allow the Legislature to evaluate the effectiveness of the tax benefit.

In addition, legislation that would create an income exclusion would not require detailed performance indicators and data collection measures if the Legislature determines there is no available data to collect and report.

Implementation Considerations

None noted.

Technical Considerations

None noted.

Policy Considerations

The FTB has identified the following implementation consideration and is available to work with the author's office to resolve these and other considerations that may be identified.

The bill includes language that would allow a gross income exclusion for gains or losses arising from the rounding of cash payments on transactions. If the intent of the author is to allow a gross income exclusion for income tax purposes, the author should clarify application of subdivision (c) and add a gross income exclusion to Parts 10 and 11 of the Revenue and Taxation Code (RTC).

Under RTC section 41, legislation that would create a gross income exclusion would not require detailed performance indicators and data collection measures if the Legislature determines there is no available data to collect and report. FTB's income exclusion data is generally incomplete because exclusions are not required to be reported on the tax return. The author may wish to amend the bill to include a determination that there is no available data to collect and report.

LEGISLATIVE HISTORY

SB 1005 (Caballero, 2025/2026) would, under the Government Code, allow a local agency to round the amount of any payment made wholly or partly in cash to the local agency, or any refund or other amount tendered wholly or partly in cash, to the nearest five cents. SB 1005 was referred to the Senate Committee on Local Government.

PROGRAM BACKGROUND

None noted.

OTHER STATES' INFORMATION

None noted.

FISCAL IMPACT

FTB's costs to implement this bill have yet to be determined. As the bill moves through the legislative process, costs will be determined.

ECONOMIC IMPACT*Revenue Estimate*

This bill, as amended April 7, 2026, would not impact the computation of state income or franchise tax.

This analysis does not account for changes in employment, personal income, or gross state product that could result from this bill or the net final payment method of accrual.

LEGAL IMPACT

None noted.

EQUITY IMPACT

None noted.

APPOINTMENTS

None noted.

SUPPORT/OPPOSITION

Assembly Committee on Banking and Finance, dated April 17, 2026

Support

- California Grocers Association
- California Retailers Association
- Cameo - California Association for Micro Enterprise Opportunity

Opposition

None on file.

ARGUMENTS

Assembly Committee on Banking and Finance, dated April 17, 2026

Proponents

Writing in support of this bill, the California Retailers Association notes, in part:

The California Retailers Association is happy to support AB 1793, which would provide clear and uniform rules for rounding cash transactions in California. As the United States phases out penny circulation, retailers need certainty and consistency to administer cash purchases efficiently and fairly. AB 1793 offers a practical framework that helps avoid confusion at the point of sale and promotes a smooth transition for businesses and consumers alike. This is a bill of common cents.

Retailers operate thousands of registers across the state, often in high-volume environments where clarity in payment processing is essential. By establishing symmetrical rounding AB 1793 standards, AB 1793 reduces the risk of inconsistent practices and helps ensure customers are treated equitably regardless of where they shop. This is especially important for a diverse retail sector that must train employees, update systems, and maintain compliance across multiple store formats and jurisdictions.

Opponents

None of file.

LEGISLATIVE CONTACT

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