STATE OF SOUTH CAROLINA
DEPARTMENT OF REVENUE
300A Outlet Pointe Blvd., Columbia, South Carolina 29210
P.O. Box 125, Columbia, South Carolina 29214-0575

SC INFORMATION LETTER #26-6

SUBJECT: End of Penny Production
(Sales and Use Tax)

DATE: January 22, 2026

AUTHORITY: S.C. Code Ann. Section 12-4-320
SC Revenue Procedure #09-3

SCOPE: An Information Letter is a written statement issued to the public to announce general information useful in complying with the laws administered by the Department. An Information Letter has no precedential value.

Federal Government Ends the Production of the Penny

The federal government ended production of the penny on November 12, 2025. While the penny remains legal tender, the Department is aware that penny shortages present a challenge to retailers. Particularly, retailers are having difficulty making change in cash transactions in which pennies are necessary to provide the correct change to the customer. As a result, retailers may resort to rounding such transactions up or down or to the nearest nickel when pennies are not available to make change. The Department is not endorsing a particular method of rounding but aims to clarify the Department's position on the impact of rounding on the amount of sales tax due and payable under such circumstances.

The Impact of Rounding Transactions on Sales Tax Reporting and Payments

South Carolina imposes a 6%[1] sales tax on the gross proceeds of sales of every person engaged in the business of selling tangible personal property at retail.[2] Retailers are responsible for collecting, reporting, and paying sales tax to the Department. The amount of sales tax due is based on the "gross proceeds of sales," meaning the total amount for which tangible personal property is sold or purchased.[3] Therefore, the amount of tax due

[1] Some jurisdictions impose additional local sales taxes. Therefore, the sales tax imposed may be higher than 6%.
[2] S.C. Code Ann. § 12-36-910.
[3] S.C. Code Ann. § 12-36-90.

and payable by the retailer is based on the sales price of the tangible personal property.[4] If a retailer implements a system of rounding, the sales tax due should not be recalculated based on the rounded amount. Rather, the sales tax due and payable to the Department remains the amount calculated based on the original sale before rounding.

Example: A customer purchases an item that costs $130.89. The tax for this item, based on a 6% tax rate, is $7.85 and the total for the sale with tax is $138.74. The customer pays the retailer $140.00 in cash. The retailer does not have pennies available to make change and therefore rounds the transaction up to the nearest nickel to $138.75 and provides $1.25 in change to the customer. The retailer will report and pay $7.85 in sales tax to the Department and will not adjust the sales tax due based on the rounded total of $138.75. Similarly, if in the same transaction, the retailer decides to round the total with tax down to $138.70, the retailer would still report and pay $7.85 in sales tax to the Department and would not adjust the sale tax due based on the lower amount collected.

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[4] State law provides that in calculating the tax due, retailers may round a fraction of more than one-half of a cent to the next whole cent and a fraction of a cent of one-half or less must be eliminated. S.C. Code Ann. § 12-36-940(C). However, state law does not currently address rounding regarding the elimination of the penny.