



PAYMENT PROCESSING INFORMATION FOLLOWING PENNY DISCONTINUANCE – THE PENNY ISSUE

Many of you may have received the attached Memorandum from Jason Mumpower, Comptroller of the Treasury, dated January 20, 2026, regarding procedures for customer transactions in response to the discontinuance of the penny.

The first three procedures outlined by the Comptroller can be implemented immediately without the adoption of any type of policy by the utility. Some uncertainty may exist at the present time regarding the last two procedures for the following reasons.

First, a bill has been filed with General Assembly to address “the penny issue” which could affect the implementation of the rounding of the payment of utility bills to the nearest nickel, SB1810/HB1744. This bill outlines specific rounding rules which can be used in transactions in Tennessee if passed. Moreover, TAUD understands that other bills may be filed to address “the penny issue.” If a bill passes the General Assembly this year which dictates exactly how transactions can be rounded to the nearest nickel (or other issues), any new law would need to be incorporated into any utility policy adopted to address the rounding of bills.

Second, the adjustment of utility rates, fees, and charges to multiples of \$0.05 or \$0.10 may not fully address the penny issue for utility sales which are subject to the Tennessee sales tax, such as water sales. While a monthly bill for water service will be a multiple of \$0.05 or \$0.10 with such rates, the addition of sales tax to the bill may still result in cents being owed. Pursuant to T.C.A. § 67-6-504(h), the computation of sales tax can only be rounded up or down to the next whole cent - penny. Therefore, a change in utility rates to only multiples of \$0.05 or \$0.10 does not fix the penny issue for such utility sales since sales taxes cannot be rounded up or down to the nearest nickel under current Tennessee law.

Finally, utilities will need to decide how to address their legal obligation to collect payments for services rendered in the amount of the established rate. If a utility rounds up or down when a customer pays a bill, the customer may not paying the rate set (unless the rate is set only in multiples of \$0.05 or \$0.10).

TAUD understands that its utility members would like to know how to address this issue now. For the reasons set forth above, TAUD believes it would be prudent to wait until any legislation passes on the penny issue before adopting a policy for the utility to address the payment of bills which do not end in multiples of \$0.05 or \$0.10. Again, the first three procedures set forth in the Comptroller’s Memorandum can be implemented immediately.

January 26, 2026



JASON E. MUMPOWER
Comptroller

January 20, 2026

MEMORANDUM TO: Tennessee Local Government Entities

FROM: Jason E. Mumpower, Comptroller of the Treasury

SUBJECT: Payment Processing Information Following Penny Discontinuance

In light of the federal discontinuance of the penny, this guidance aims to assist local governments, including utilities and authorities, in adopting processing procedures that are authorized under federal and state law while maintaining fair and transparent operations.

Payment Procedures

Local governments should consider implementing procedures for all customer transactions in response to the discontinuation of the penny. Below are options that local governments may wish to consider:

- Requiring or encouraging customers to provide exact change when making cash payments;
- Offering alternative payment methods including debit cards, credit cards, electronic checks, or online payment portals;
- Establishing protocols for crediting a customer's account when a customer is paying non-exact cash for recurring payments;
- Declining to accept non-exact cash payments, when authorized; and
- Adjusting rates, fees, and charges within the local government's legal authority to multiples of \$0.05 or \$0.10.

Implementation Considerations

Prior to implementing any new or amended policies or procedures related to the discontinuance of the penny, local governments should remember these important considerations:

- Consult with your attorney to ensure you are acting within your legal authority;
- Ensure that any new policies and procedures are reasonable as applied to your local community;
- Refrain from adopting policies and procedures that provide a benefit to one type of payment over another;
- Apply new policies and procedures uniformly;
- Clearly communicate any new policies and procedures to the local community through appropriate channels;
- Train all staff as necessary; and
- Ensure all policies and procedures comply with government accounting standards and that accounting systems can appropriately address the new policies and procedures.