

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
Enrolled - Revised

House Bill 1026
Economic Matters

(Delegate Queen)

Finance

Business Regulation - Rounding Cash Transactions - Authorization

This emergency bill authorizes a merchant to round the price of specified transactions or the amount of change due to a customer up or down to the nearest cent divisible by five, as specified. The bill preempts any existing regulations, rules, and ordinances that conflict with the Act. The bill also alters the definition of “taxable price” with respect to the State sales and use tax to exclude from taxation any amount up to two cents collected due to rounding the price for a good or service. The Secretary of Labor may adopt regulations to carry out the bill’s provisions.

Fiscal Summary

State Effect: The bill does not materially affect State operations or finances. The Maryland Department of Labor can handle any increase in wage payment claims and the preparation of compliance materials with existing resources.

Local Effect: The bill does not materially affect local government operations or finances.

Small Business Effect: Minimal.

Analysis

Bill Summary:

Definitions

“Cash” means United States coins and currency and does not include (1) a paper instrument other than a federal reserve note or (2) a gift card.

A “customer” means a purchaser of a good or service from a merchant. A “merchant” is a person engaged in the trade or business of that sale of goods and services.

“Price” means the amount due and payable by a customer for a good or service after a merchant (1) subtracts any discount or deduction and (2) applies any applicable tax or fee.

Applicable Transactions

For the portion of the price of an in-person transaction or for a telephone, mail, or Internet transaction for which a customer pays using cash if the price totals at least 5 cents, a merchant doing business in the State may round the price for a good or service (or the amount of change due to a customer) in the following manner:

- if the price ends in 1, 2, 6, or 7 cents, by rounding the price down to the nearest cent divisible by five; or
- if the price ends in 3, 4, 8, or 9 cents, by rounding the price up to the nearest cent divisible by five.

For transactions totaling less than 5 cents, a merchant may round the price for a good or service up to 5 cents.

The bill (1) does not apply to a transaction for a good or service paid with exact change and (2) may not be construed to authorize a merchant to round a price for a good or service in a manner that alters the calculation of any tax or fee applicable to the transaction.

Current Law:

Each employer must set regular pay periods and must pay each employee at least once in every two weeks or twice per month. However, an employer may pay an administrative, executive, or professional employee less frequently.

Whenever the Commissioner of Labor and Industry determines that the law under the Enforcement Article has been violated, they may attempt to resolve the issue through mediation or ask the Attorney General to bring an action on behalf of an employee.

If a court finds that an employer withheld the wage in violation of the Article and not as a result of a *bona fide* dispute, the court may award the employee up to three times the unpaid wage, plus reasonable counsel fees and other costs. Any wages recovered under this Article must be paid to the employee without cost.

Sales Taxes

The State sales tax is imposed on (1) a retail sale in the State and (2) a use, in the State, of tangible personal property, a digital code, a digital product, or a taxable service. In general, the tax rate is 6 cents for each exact dollar and prorated amounts for each part of a dollar.

Taxable price

“Taxable price” is the value, in money, of the consideration of any kind that is paid, delivered, payable, or deliverable by a buyer to a vendor in the consummation and complete performance of a sale without deduction for any expense or cost, including the cost of (1) any labor or service rendered; (2) any material used; or (3) any property, digital code, or digital product sold.

Taxable price does not include a charge that is made in connection with a sale and is stated as a separate item of the consideration for, among other things:

- a delivery, freight, or transportation service;
- a finance, interest, or credit charge;
- a labor or service for application or installation; or
- a mandatory gratuity or service for food or beverage service to 10 or fewer individuals.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: SB 893 (Senator Gile) - Finance.

Information Source(s): Comptroller’s Office; Maryland Department of Labor; Department of Legislative Services

Fiscal Note History: First Reader - February 23, 2026
jg/mcr Third Reader - March 13, 2026
Enrolled - May 6, 2026
Revised - Amendment(s) - May 6, 2026

Analysis by: Toni Heo

Direct Inquiries to:
(410) 946-5510
(301) 970-5510