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Legislation Requiring Retail Businesses to Accept Cash

The purpose of this report is to investigate whether states have legislation banning businesses from going cashless. Paying with cash gives Americans the option to access services from retail businesses without needing to meet the requirements to open a bank account, which would give them access to a debit or credit card. Utilizing cash also provides options for private and untraceable purchases. Cash is the official currency of America, according to the United States Government, and is expected to be accepted universally for purchases.¹

During the COVID-19 pandemic, the Centers for Disease Control and Prevention (CDC) recommended that citizens should opt to use touchless payment when available, so U.S. businesses began to transition into a “cashless world.”² Many retail businesses refused cash and would only accept card or touchless payments, negatively impacting those who use cash. Square Pay is a payment platform that provides secure payment options for businesses and their customers.³ Before the pandemic on March 1, 2020, 8% of Square users were cashless businesses. Only 54 days into the pandemic on April 23, 31% of Square businesses went cashless.⁴

Laws Regarding Cashless Businesses

In 1978, Massachusetts passed the first state law that banned businesses from refusing cash.⁵ In 2021, U.S. Representative Donald M. Payne, Jr. introduced the Payment Choice Act of 2021. This federal legislation would require retail businesses to accept cash as a form of payment.

¹ United States Government, “American Money,” USA.gov, accessed December 2, 2024, <https://www.usa.gov/currency>.

² Centers for Disease Control and Prevention, “Headed Out? How to Stay Healthy When Running Essential Errands,” accessed December 2, 2024, <https://blogs.cdc.gov/publichealthmatters/2020/04/essential-errands/>.

³ Square, “Use Square Pay for Online Orders,” accessed December 2, 2024, <https://squareup.com/help/ca/en/article/6945-save-payment-information-with-square-pay#:~:text=Square%20Pay%20provides%20a%20secure,ordering%20online%20from%20your%20business>.

⁴ Square, “Making Change: Chapter 2: Payments and the Pandemic,” accessed December 2, 2024, <https://squareup.com/us/en/press/making-change/2020/1>.

⁵ The Commonwealth of Massachusetts, “General Laws, Section 10A: Discrimination against cash buyers,” accessed December 13, 2024, <https://malegislature.gov/laws/generallaws/partiii/titleiv/chapter255d/section10a>.

However, the bill never moved past being introduced in the House.⁶ This leaves the United States with no federal laws requiring businesses to accept cash as payment.

To address the question of whether states had legislation on banning cashless businesses, we gathered information from news articles and state government websites (the URLs can be found in Appendix A). We present the findings of our search in Table 1.

Table 1: Summary of State Legislation on Banning Cashless Businesses

State	Is There a Law Regarding Businesses Accepting Cash?
Alabama	No
Alaska	No
Arizona	Yes
Arkansas	No
California	No, failed to pass in 2021, however San Francisco, Berkley and, Los Angeles (approved but has not gone into effect), have laws
Colorado	Yes
Connecticut	Yes
Delaware	Yes
Florida	No, failed to pass in 2024
Georgia	No
Hawaii	No
Idaho	Yes
Illinois	No, amendment to existing business bill died in the Rules Committee
Indiana	No
Iowa	No
Kansas	No
Kentucky	No
Louisiana	Pending
Maine	Pending
Maryland	Yes
Massachusetts	Yes
Michigan	Yes
Minnesota	No, failed 2024
Mississippi	Yes
Missouri	No
Montana	Yes
Nebraska	No
Nevada	No
New Hampshire	Yes

⁶ 117th Congress (2021-2022), H.R.4395 - Payment Choice Act of 2021, accessed December 13, 2024, <https://www.congress.gov/bill/117th-congress/house-bill/4395>.

New Jersey	Yes
New Mexico	No, staying cashless for now to prevent robberies
New York	Yes, stores must accept cash unless they have a machine to convert cash to a prepaid card.
North Carolina	Not yet, died in senate this year
North Dakota	No, failed in 2021
Ohio	In committee
Oklahoma	No, died in committee this session
Oregon	Yes
Pennsylvania	No, but banned in Philadelphia
Rhode Island	Yes
South Carolina	Yes
South Dakota	No
Tennessee	Yes
Texas	No
Utah	No
Vermont	No, died last session
Virginia	No
Washington	Not state, just in King County
West Virginia	Yes
Wisconsin	No, died in committee last session
Wyoming	No

In table 1, we found that 18 states have laws that prevent businesses from going cashless, and 32 states do not have such laws. Washington, Pennsylvania, and California have regional laws that prevent businesses from going cashless.

Effects of Refusing Cash

Cash-only business present a problem for those who are “unbanked,” that is, those who do not have checking or savings accounts or credit cards. Six percent of Americans are unbanked⁷ due to a few reasons, among others:

- They cannot meet minimum balance requirements,
- They lack trust in banks,
- The desire for more privacy, and
- High and unpredictable bank account fees.⁸

⁷ Board of Governors of the Federal Reserve System, “Report on the Economic Well-Being of U.S. Households in 2022 - May 2023,” June 2, 2023, accessed December 13, 2024, <https://www.federalreserve.gov/publications/2023-economic-well-being-of-us-households-in-2022-executive-summary.htm>.

⁸ Boel Paola, Zimmerman Peter, "Unbanked in America: A Review of the Literature," *Economic Commentary*, Federal Reserve Bank of Cleveland, May 26, 2022, accessed December 12, 2024,

Seventeen percent of Americans making 25,000 dollars a year or less are unbanked.⁹ According to findings by the San Francisco Federal Reserve Bank, in 2023, 36% of people making less than 25,000 dollars a year use cash as their main payment instrument.¹⁰ In 2022, 13% of black households were unbanked, 10% of Latino households, and 3% of white households.¹¹

The Federal Deposit Insurance Corporation (FDIC) compiles an annual report regarding the demographics and data of banking in the United States. The 2020 FDIC report shows that minority households are far more likely to be unbanked than white families.¹² Not only are marginalized individuals less likely to reach the minimum bank requirements, but findings from Faber and Friedline claim that opening and operating a bank account in a predominately minority area comes with more expensive fees.¹³ Undocumented immigrants can lack the proper documents of identification necessary to open a bank account, and without a social security number, immigrants must go through other complicated identification forms to acquire one.¹⁴

Conclusion

In recent years, states have been making a movement to ban cashless businesses, following the failure of the Payment Choice Act of 2021 in Congress.¹⁵ A retail business making the decision not to accept cash as a payment negatively and disproportionately impacts those of minority identities, undocumented immigrants, as well as those who choose not to make touchless purchases for privacy reasons. As of the publishing of this report, 18 states have laws banning businesses from refusing to accept cash, but 32 states still do not.

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<https://www.clevelandfed.org/publications/economic-commentary/2022/ec-202207-unbanked-in-america-a-review-of-the-literature>.

⁹ Board of Governors of the Federal Reserve System, "2023 Economic Well-Being of U.S. Households in 2022: Banking and Credit," *Federal Reserve*, May 2023, accessed December 12, 2024,

<https://www.federalreserve.gov/publications/2023-economic-well-being-of-us-households-in-2022-banking-credit.htm#:~:text=Most%20adults%20had%20a%20bank.and%20those%20with%20a%20disability>.

¹⁰ Cubides Emily, O'Brien Shaun, "2023 Findings from the Diary of Consumer Payment Choice," *Federal Reserve Bank of San Francisco*, May 5, 2023, accessed December 12, 2024, <https://www.frbsf.org/research-and-insights/publications/fed-notes/2023/05/2023-findings-from-the-diary-of-consumer-payment-choice/>.

¹¹ Board of Governors of the Federal Reserve System, "Report on the Economic Well-Being of U.S. Households in 2022 - May 2023: Delgado, Natalie, "Cashless Businesses Say They're the Future. Poor Customers Are Getting Left Behind," *Governing*, July 11, 2017, accessed December 9, 2024, <https://www.governing.com/archive/gov-cashless-businesses-poor-unbanked.html>.

¹² Federal Deposit Insurance Corporation, *2020 Annual Report*, FDIC, 2020, accessed December 12, 2024, <https://www.fdic.gov/about/financial-reports/reports/2020annualreport/2020ar-final.pdf>.

¹³ Jacob William Faber and Terri Friedline, "The Racialized Costs of "Traditional" Banking in Segregated America: Evidence from Entry-Level Checking Accounts," *Race and Social Problems*, 12, 344–361 (2020). <https://doi.org/10.1007/s12552-020-09296-y>.

¹⁴ Lizeth Beltran, "Can Immigrants Open Bank Accounts?" *Immigrant Finance*, February 4, 2022, accessed December 12, 2024, https://immigrantfinance.com/can-immigrants-open-bank-accounts/?d6a68b4e_page=2.

¹⁵ 117th Congress (2021-2022), H.R.4395 - Payment Choice Act of 2021, accessed December 13, 2024, <https://www.congress.gov/bill/117th-congress/house-bill/4395>.

the supervision of VLRS Director, Professor Anthony “Jack” Gierzynski in response to a request from Representative Donahue.

Contact: Professor Anthony “Jack” Gierzynski, 517 Old Mill, The University of Vermont, Burlington, VT 05405, phone 802-656-7973, email agierzyn@uvm.edu.

Disclaimer: The material contained in the report does not reflect the official policy of the University of Vermont.

Appendix A: Sources for Table 1

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