

TALKING POINTS

Phasing out the Penny

September 2025

In February 2025 President Trump directed the U.S. Treasury to stop producing new pennies as part of his effort to reduce unnecessary government spending.

- According to the government, it costs nearly 4 cents to produce and distribute each penny.
- Other countries, including Canada and Australia, have completely stopped producing pennies, so we aren't the first country to take this step.
- Since President Trump's announcement, [bills to stop the production of the penny](#) have been introduced in both chambers of Congress.

Even after production stops, pennies remain legal tender, and consumers can still use pennies in transactions.

- There are an estimated 250 billion pennies currently in circulation, and banks will continue accepting and processing pennies as long as they remain legal tender.

Penny circulation is beginning to slow down.

- The U.S. is starting to see a noticeable slowdown in penny circulation and availability.
- As a result of the reduction in availability, some banks and merchants may begin running low or run out of pennies, which could affect cash transactions that rely on exact change.
- Banks are monitoring the situation closely and working to manage supply as efficiently as possible.

Businesses may need to adjust their cash-handling practices.

- In areas experiencing penny shortages, banks and retailers will need to make adjustments to cash-handling practices.
- Retailers and banks experiencing coin shortages may need to round transactions, post signage or encourage electronic payments.
- Clear communication with customers during these adjustments is key.

The banking industry encourages consumers and businesses to be mindful of coin usage and consider alternatives when possible.

- Electronic payments are unaffected by the phasing out of the penny. Credit and debit card transactions will continue to be processed at exact amounts, with no rounding.
- As electronic payments continue to become more widespread, the share of cash transactions will decline even further.

The banking industry is coordinating with the federal government and other stakeholders to address challenges.

- Banks continue to work in partnership with the Federal Reserve, Treasury and other key stakeholders to track coin circulation trends and support efforts to ensure a smooth transition to the phasing out of the penny.

A [July 2025 report](#) from the Federal Reserve of Richmond described the economic impact of phasing out the penny.

- According to the report, cash transactions will likely be rounded to the nearest nickel with the removal of the penny.
- A common rounding rule is as follows: If the final digit of a purchase ends in 3, 4, 8 or 9 cents, the total will be rounded up; if it ends in 1, 2, 6 or 7 cents, it will be rounded down. Transactions ending in 0 or 5 cents are not rounded.
- Assuming that the final digits of transaction totals are uniformly distributed, the gains from rounding down and losses from rounding up should cancel out. However, if transaction amounts are skewed toward values that round up, consumers end up consistently paying more, creating what's referred to as a "rounding tax."
- The authors of the report estimate that rounding to the nearest nickel would cost consumers about \$6.06 million annually, assuming transaction patterns remain unchanged.