Say Goodbye to Loose Change—How the End of the Penny Could Change Prices

By Mandy Taheri Newsweek Published May 29, 2025

After more than two centuries clinking in pockets, lining dusty piggy banks and being flung into fountains along with a wish, the U.S. penny is preparing for retirement. While digital transactions dominate the modern marketplace — with most estimates over 80 percent — the impact of the penny's departure could come at a cost to consumers, with a disproportionate hit to lower-income consumers.

Worth just a cent but costing nearly four times that to produce, the fiscal riddle of the penny has long been a paradox of the federal government. President Donald Trump has instructed the Treasury to finally cease production of the coin, with the Mint putting in its final order for penny blanks earlier this month. Yet the coming exit of the centuries-old copper and zinc round coin, once stamped with a woman symbolizing liberty and now bearing President Abraham Lincoln's solemn profile, may have a more outsized impact beyond the loose change drawer, particularly for those living near the economic margins.

Getting Rid of Pennies

The Treasury Department's move to halt penny production isn't unprecedented—other governments have already phased out their lowest-denomination coins. Canada made the move in 2012, Australia eliminated its 1- and 2-cent coins in 1992, and New Zealand has gotten rid of its 1-, 2-, and 5-cent coins. The U.S. has even retired a coin before, phasing out the half-cent piece in 1857.

So what happens without pennies, at least when cash is still the legal tender of choice? Enter the nickel. The five-cent coin, which costs nearly 14 cents to make and distribute, is now poised to become the anchor of everyday pricing.

The actual "disappearance" of pennies in circulation is expected to take years, or even decades, according to economics professor Robert Whaples at Wake Forest University. "It is estimated that there are about 700 pennies out there per every American," Whaples told *Newsweek,* while other estimates vary between 300 and 600. The Treasury estimates there are around 114 billion pennies currently in circulation. Whaples added that "stores will ask people to bring in their pennies when they run out. If they do, pennies could stay around for a long time," possibly for years or even decades. "If not, it'll take much less time. It may vary by region and retailer."

Pennies are to remain legal tender even though production will be halted. They will still be accepted at banks and stores. The Treasury has said that stopping production of the coin will lead to an immediate annual savings of $56 million.

A Penny's Worth?

"The idea that [pennies' farewell] will be costless, is just dead wrong," Raymond Lombra, professor emeritus of economics at Penn State told *Newsweek*. The impact of the penny's disappearance — a coin that barely circulates and spends most of its life cycle trapped in couch cushions, pocketbooks and jars — will be a "rounding tax," that would be "regressive," Lorna said, "as it would fall disproportionately on those at the lower end of the income and wealth scale."

Lower-income Americans, as well as those in the country without legal status, are far more likely to use cash for transactions than credit or debit cards. Over the years, the percentage of transactions conducted in cash has significantly dropped, with the average estimate now hovering around 20 percent.

Most "unbanked households" in the U.S. operate with cash only, according to the Federal Deposit Insurance Corporation (FDIC). These cash-only, unbanked households are "disproportionately older, more likely to be Hispanic, and less likely to be Black compared to other unbanked households," the FDIC says.

Approximately 4.5 percent of U.S. households were unbanked in 2021, with about six in 10 unbanked households in the U.S. relying entirely on cash, according to the agency.
Low-income households making less than $25,000 use cash for nearly a third of their purchases, whereas households with over $150,000 reported using cash for only 10 percent of their purchases, according to the Federal Reserve's 2024 Diary of Consumer Payment Choice.

Phyllis Resnick, Colorado Futures Center's lead economist, told *Newsweek* that the loss of the penny will become the "most burdensome on low-income households," pointing to their purchases of lower-cost everyday items, such as groceries, as more likely to be affected by price rounding than luxury goods, where the impact is less noticeable.

"There is a saying in retail that you should never lose a customer over a penny," Jeff Lenard, vice president media and communications at National Association of Convenience Stores (NACS) told *Newsweek,* adding that if pennies ever completely vanish and aren't accepted at the point of sale, he "imagines retailers will accept them," in order to avoid losing customers. He said "convenience stores conduct about 160 million transactions a day" and given the growing prevalence of credit cards, "there are roughly 30 million cash transactions a day."

Most cash transactions occur at grocery and convenience stores, fast food restaurants, coffee shops, gas stations, bars and small restaurants.

Rounding Rules and Sales Tax

The loss of the penny complicates pricing beyond simply rounding sticker prices, since most purchases involve multiple items and a sales tax calculated as a percentage, which often results in totals that still include cents.

Resnick noted that could lead to an "incremental bump to the sales tax" collection at the local and state level, explaining "if the price rounds up and the rate [sales tax] stays the same, every jurisdiction that collects sales tax is going to collect a little bit more."

The Treasury has said that state and local governments should provide guidance on how to properly collect the sales tax. *Newsweek* reached out to the Treasury Department for comment via email on Thursday.

Many businesses offer lower prices for cash purchases to avoid credit card processing fees, but with the penny on its way out, even those cash discounts could start to shift to the nearest nickel value.

The Treasury Department told *The Wall Street Journal* that businesses will need to start rounding up or down to the nearest 5 cents, a concept many economists believe will be enacted without much pushback. Under this premise, merchants will round up to the nearest nickel on purchases that end with 3, 4, 8, and 9 cents, while they will round down to the nearest nickel for purchases that end in 1, 2, 6, and 7 cents.

"Since the final digit is random there will be as much rounding up as rounding down," Whaples told *Newsweek,* adding that despite many prices ending in 99 cents, "the last digit in the cash register total is random because people buy multiple items and/or taxes." However, Resnick said "it's more likely things will round up, rather than round down."

"I have no doubt that merchants will figure out ways to net round up," Lombra echoed. "A penny here, a penny there, pretty soon it adds up."

<u>Citation/Source</u>

Mandy Taheri, 2025 Newsweek**,** Published May 29, 2025
https://www.newsweek.com/say-goodbye-loose-changehow-end-penny-could-change-prices-2078650#:~:text=Phyllis%20Resnick%2C%20Colorado%20Futures%20Center%27s,luxury%20goods%2C%20where%20the%20impact

Mandy Taheri, 2025 Newsweek**,** Published May 29, 2025
https://www.newsweek.com/say-goodbye-loose-changehow-end-penny-could-change-prices-2078650#:~:text=Phyllis%20Resnick%2C%20Colorado%20Futures%20Center%27s,luxury%20goods%2C%20where%20the%20impact

Mandy Taheri, 2025 Newsweek**,** Published May 29, 2025
https://www.newsweek.com/say-goodbye-loose-changehow-end-penny-could-change-prices-2078650#:~:text=Phyllis%20Resnick%2C%20Colorado%20Futures%20Center%27s,luxury%20goods%2C%20where%20the%20impact

Mandy Taheri, 2025 Newsweek**,** Published May 29, 2025
https://www.newsweek.com/say-goodbye-loose-changehow-end-penny-could-change-prices-2078650#:~:text=Phyllis%20Resnick%2C%20Colorado%20Futures%20Center%27s,luxury%20goods%2C%20where%20the%20impact

Mandy Taheri, 2025 Newsweek**,** Published May 29, 2025
https://www.newsweek.com/say-goodbye-loose-changehow-end-penny-could-change-prices-2078650#:~:text=Phyllis%20Resnick%2C%20Colorado%20Futures%20Center%27s,luxury%20goods%2C%20where%20the%20impact

Mandy Taheri, 2025 Newsweek**,** Published May 29, 2025
https://www.newsweek.com/say-goodbye-loose-changehow-end-penny-could-change-prices-2078650#:~:text=Phyllis%20Resnick%2C%20Colorado%20Futures%20Center%27s,luxury%20goods%2C%20where%20the%20impact