

# Ohio Bankers League

## Penny Phase-Out: Comprehensive Guide

### What's happening: Overview of the penny phase-out

#### What's changing

- The United States Treasury Department and the United States Mint have announced that the minting of new pennies has ceased, and current supplies are expected to be depleted by late November.
- Existing pennies remain legal tender and will continue to circulate for the foreseeable future.
- The Federal Reserve has published [FAQs](#) indicating that coin-distribution locations will gradually stop fulfilling penny orders as inventory is depleted. Visit this resource to see if your coin distribution location is impacted. As of late October, over 100 coin distribution locations are already closed. This has accelerated the Fed's original timeline.
- For cash transactions, many businesses will likely begin rounding to the nearest five cents when pennies become scarce.

#### Why it's happening

- Production cost: The cost to produce a penny has risen significantly (to about 3.69 cents per penny in recent years), meaning the government spends more to make the coin than its face value.
- Declining utility and circulation: Cash usage is decreasing; many pennies sit unused and their purchasing power has eroded.

#### What this means for banks

- Banks will continue to accept pennies for deposit, as they remain legal tender.
- Banks will face changes in coin ordering, inventory management, and customer expectations around change and rounding.
- Bank staff will need to educate customers about changes in availability of pennies, potential rounding for cash transactions, and implications for coin roll orders.

#### Impending legislation & OBL groundwork (Federal & State)

- OBL is working on federal legislation to provide clarity in the system. The Common Cents Act (H.R. 3074 / S. 1525) would establish a uniform rule to mandate rounding cash transactions to the nearest nickel while keeping pennies in circulation as legal tender. The bill would *not* affect non-cash payments like credit, debit, and electronic transactions, which would continue to use exact amounts. The legislation aims to address potential conflicts with the Supplemental Nutrition Assistance Program (SNAP) and ensure check-cashing services can continue to operate smoothly. Given the current government shutdown, no movement is being made on the Common Cents Act at this time.
- On the State level OBL is having high level discussions about legislation relating to merchant collection and remittance of state sales tax, as well as tax payments for government entities.

## Internal Guidance for Bankers

### **Be informed and proactive:**

- Understand that no law has yet demonetized pennies, they remain legal tender. The change is in production and availability.
- Be aware that the Fed has indicated coin-distribution locations will stop fulfilling penny orders when inventory is depleted, so availability may decline and vary by region.
- Recognize the operational impacts for your bank: you may need to adjust your coin vault orders, inform customers who order large quantities of pennies, and plan for changes in cashier operations.
- Prepare FAQs and talking points for customers (see next section).

### **Discuss with business customers (retailers, vendors):**

Key topics to raise:

- Cash register/pricing systems: Are their POS systems ready for rounding to the nearest nickel if pennies become scarce?
- Change-handling policy: Will they adjust how they give change in cash transactions?
- Deposit/roll-order strategy: Should they deposit pennies now rather than accumulate them?
- Communication: Encourage them to notify customers about rounding policies, if they anticipate changes.
- Coin-order planning: If they regularly order bags or rolls of pennies, start adjusting expectations and order volumes accordingly.

### **Discuss with individual customers:**

- Let customers know they can continue to use pennies for now, and banks will continue to accept them for deposit or exchange.
- Explain they may notice fewer pennies in circulation over time; they may need to deposit large collections of pennies sooner rather than later if they decide to cash them in.
- Encourage use of electronic/digital payments for convenience, as cash-only transactions may see small rounding adjustments.

## What customers need to know: Talking Points

### For individual consumers:

- Penny status: Pennies remain legal tender, you can still use them in transactions or deposit them in your bank account.
- Availability may change: Because production of new pennies has ended, you may notice fewer pennies in circulation. Your bank may limit large penny roll orders or may have fewer loose pennies.
- Cash vs electronic payments: This change affects primarily cash transactions. Electronic payments (card, mobile) are largely unaffected.
- Rounding for cash transactions: Eventually, some businesses may round cash transaction totals to the nearest five cents when pennies are unavailable. The exact rounding rule (e.g., round up/down) may vary and is not yet federally mandated.
- What you can do:
  - If you have many pennies, consider depositing them now
  - Use digital payments where convenient.
  - Ask your bank if they have any changes in policy for penny deposits or exchanges.
- No panic needed: The transition is gradual. Billions of pennies are still in circulation; you're not losing value by holding them.
- Help customers understand that rounding to the nearest nickel will have little to no effect on their total cost.

### For business customers (merchants, retailers):

- Cash-handling implications: Consider how your register software, pricing displays and change-giving policies will adapt if pennies become scarce.
- Evaluate rounding policy: Decide in advance how you will handle cash transactions that end in pennies. Will you round up? Round to nearest nickel? It's best to have a clear policy and communicate it to your customers.
- POS and accounting updates: Ensure your point-of-sale and accounting systems can support a rounding approach (if you plan to adopt it). Test the change ahead of time.
- Communicating to customers: Let customers know if and when you will begin rounding, how it will work, and why you are doing it. Transparent communication reduces confusion and complaints.
- Coin-order planning: If you order penny rolls or bags, monitor your bank/coin-vault supply. You may need to reduce dependence on large penny orders or shift to other coin denominations/tracking.
- Staff training: Train cashiers and front-line staff to explain rounding and handle customer questions.
- Deposit strategy: If you accumulate large quantities of pennies from change machines, etc., deposit them while banks are still actively accepting and processing them as usual.