

# Publications

## Do Pennies Make Cents? Retail Operations and the Looming Penny Shortage

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*By: Tony Ehler*

The nation recently slid past Black Friday and now is bounding through the busy holiday retail season. Retailers should be preparing for a unique challenge that awaits in the New Year. The federal government shifted U.S. currency policy by eliminating penny production. A penny shortage is on the horizon.

This shortage will present problems for retailers because there has been no federal legislation enacted and no regulations published that establish safe harbors for retail practices in a low or no penny environment. Adjusting advertised or tagged prices to the nearest nickel can affect pricing strategies for high volume items with prices historically set at \$0.98 or \$0.99. To move up or down, that is the pricing question. But, that is only one question, and it is a relatively easy one. Moving the price to the nearest nickel does nothing to address the issue of sales tax compliance at the point of sale (POS) (which requires itemizing sales tax to the nearest penny. In the absence of uniform government direction, simple rounding also could violate existing regulations that govern commercial practices such as consumer protection/price transparency laws and cash discrimination laws. Responses by retailers to the penny shortage also could undermine consistent consumer experience, create a need to reprogram POS devices or purchase new technology and require employee training.

While waiting for uniform guidance from the federal government, retailers should plan. Several basic (and less than perfect) options exist such as: (1) set the advertised/tagged price to the nickel (to accommodate items not subject to sales tax) and round down to the nearest nickel the overall amount collected from the customer if sales tax is applied, this would require the retailer to absorb the difference when the correct, unrounded sales tax amount is remitted; (2) round the final amount charged (including sales tax) up or down using traditional rounding rules, this carries a risk of non-compliance with

sales tax laws or governmental fines and private lawsuits for possible infractions of price transparency or cash discrimination regulations; or (3) steer customers toward automated card payments, and thereby avoid making change, but incurring swipe fees and reducing customer payment options.

There is no “one-size fits all” response. There is no perfect solution. POS technology challenges, employee training costs, sales tax audits, and governmental or private lawsuits involving consumer fraud and price transparency laws are all possible. Negative publicity and poor customer experience also are concerns. Retailers can hope for federal legislation, but until then they should develop a plan that addresses the penny shortage tailored to their particular business practices and needs.