



August 2, 2006

The Honorable Jim Kolbe
United States House of Representatives
237 Cannon House Office Building
Washington, DC 20515

Dear Representative Kolbe:

On behalf of the 350,000 members of the National Taxpayers Union (NTU), I write to offer our support for your legislation, H.R. 5818, the Currency Overhaul for an Industrious Nation (COIN) Act. By modernizing our nation's currency system and reducing demand for the penny (which is produced at a loss), this legislation would result in a cash transaction rounding system that would benefit taxpayers, consumers, and retailers.

The average taxpayer would shake his or her head in dismay at the logic involved in the U.S. Mint producing a penny at the cost of 1.4 cents per unit, adding up to a \$20 million annual loss. Rising metal and transportation prices over the last few years are largely responsible for the increased production costs of U.S. coins, and as a result, the price tag of manufacturing pennies actually exceeds their worth at face value.

Your bill would institute a rounding system to the nearest nickel for cash transactions (such as buying bottled water at a gas station with coins), with the hope that reduced demand would encourage the U.S. Mint to decrease or end penny production and save taxpayers millions of dollars every year. While credit card, money order, check, and electronic transfer purchases would still be calculated to the cent, your system protects the consumer and the retailer by making the likelihood of a price being rounded up the same as down. For example, if the final amount ends in \$.01 or \$.02, the bill is rounded down to \$.00. If the final amount ends in \$.03, \$.04, \$.06, or \$.07, the bill is rounded to \$.05. Finally, if the amount ends in \$.08 or \$.09, the bill is rounded to \$.10.

A recent study by Dr. Robert Whaples of Wake Forest University reinforces the fact that the rounding system would be impartial. According to a figure cited by Dr. Whaples, American consumers and businesses lose over \$300 million a year in wasted time simply by using the penny. A rounding system could help to address this inefficient use of resources because transaction times would be faster as consumers spend less time with the cashier counting coins.

We also support the additional measures in your bill to hasten the replacement of the \$1 note with the \$1 coin, to research alternative metal composition for coin alloys, and to accurately reflect the impact of seigniorage (the government profit from minting coins) on our federal budget.

NTU strongly supports the COIN Act, and we look forward to working closely with you to pass this important piece of legislation. Any roll call votes taken on H.R. 5818 will be included in NTU's annual Rating of Congress.

Sincerely,

Kristina M. Rasmussen
Senior Government Affairs Manager