It will soon cost a little extra for a postage stamp.

It'll cost a penny more to mail a letter next year.

The cash-strapped U.S. Postal Service announced Tuesday that it will increase postage rates on Jan. 22, including a 1-cent increase in the cost of first-class mail, to 45 cents.

Under the law the post office cannot raise prices more than the rate of inflation, which is 2.1 percent, unless it gets special permission from the independent Postal Regulatory Commission.

The PRC last year turned down such a request.

The post office lost $8 billion in fiscal 2010 and the bottom line is likely to be even worse when final figures for fiscal 2011 are released next month.

The rate increase will make only a small dent in those losses, caused by the recession, movement of mail to the Internet, and a requirement that the agency fund future retiree medical benefits years in advance.

Other proposals to cut the losses have included reduction of mail delivery from six to five days a week and closing thousands of offices across the country.

The current 44-cent rate has been in effect since May 2009.

"The overall average price increase is small and is needed to help address our current financial crisis," Postmaster General Patrick Donahoe said in a statement. "We continue to take actions within our control to increase revenue in other ways and to aggressively cut costs. To return to sound financial footing we urgently need enactment of comprehensive, long-term legislation to provide the Postal Service with a more flexible business model."

The Postal Regulatory Commission now has 45 days to verify that the new prices comply with the law limiting the increase to an average of 2.1 percent across all types of mail. They can then take effect.

Because most stamps being issued are "Forever" stamps, they will remain good for first-class postage.

2But buying new Forever stamps will cost more when the prices go up.

While the price for the first ounce of a first-class letter will rise to 45 cents, the cost for each additional ounce will remain at the current 20 cents.

Other prices will also change including:

- Postcards will go up 3 cents to 32 cents.
- Letters to Canada and Mexico will increase a nickel to 85 cents.
- Letters to other foreign countries will go up 7 cents to $1.05.
- Prices for advertising mail, periodicals and parcels also will rise about 2.1 percent.
- There will be a new three-month option for renting post office boxes, for people who need them only for a short time.
- Delivery confirmation will be free on some parcel services, rather than being an extra charge.

A major financial problem for the post office has been the requirement, imposed in 2006, that it pay $5.5 billion annually into a fund designed to cover the medical benefits for retired employees in the future. No other agency has such a requirement.

But while the post office is not part of the federal budget, the fund receiving the payment is, so it counts as income to the government, making the federal deficit appear $5.5 billion smaller. Because eliminating the payment would make the deficit seem bigger, there has been reluctance to drop it.

Still, both houses of Congress are working on legislation to try and address the post office's

financial problems, though some members are also fighting the closing of local offices and seeking ways to keep six-day delivery.

A bill by Reps. Darrell Issa, R-Calif., and Dennis Ross, R-Fla., waiting action in the House would allow the post office to go to five-day mail delivery, phase out lower rates for nonprofit groups, require most mail to be delivered to cluster boxes rather than door-to-door, and increase the amount postal workers pay for health insurance. It would also set up a system for closing post offices similar to the one for closing military bases, bar no-layoff clauses in contracts and, under some circumstances, call for an emergency board to take over postal management.

Bills by Sens. Tom Carper, D-Del., and Susan Collins, R-Maine, are moving through committees in the Senate.

Meanwhile, the post office's largest union, the National Association of Letter Carriers, has hired its own consultants to study postal operations and make recommendations for the long-term future of the agency.

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