

MUNICIPALITY OF ANCHORAGE
MEMORANDUM

DATE: October 11, 2016

TO: Lance Wilber, OMB Director

THRU: *DW* Daniel Moore, Treasurer

THRU:: *BC* Blyss Cruz, Manager, Program Taxes & Tax Collection

FROM: *ER* Erin Rainwater, Tax Enforcement Officer II

SUBJECT: Tobacco Tax Adjustment for 2017

In accordance with AMC 12.40.010, the excise tax on cigarettes will be 120.1 mills, or \$0.1201 per cigarette, \$2.40 per pack (rounded), and \$24.02 per carton effective January 1, 2017. This represents no change in the mill rate (i.e. 2017 is the same as 2016) and is calculated as follows:

$(217.111 + 216.706)/2 = 216.909$	Average of 1st and 2nd halves 2015 CPI.
$(216.999 - 216.909)/216.909 = .00041492$	Change to 1st half of current year (2016)
.1201	2016 tobacco excise tax rate.
<u>x 1.00041492</u>	
.1201	2017 tobacco excise rate (rounded).

Attached is a copy of the July 15, 2016 Consumer Price Index (CPI-U) report for Anchorage.

As of January 1, 2011, the excise tax on other tobacco products has been 55% of the established wholesale price. This rate will not automatically increase on January 1, 2017. The recent annual data reveals tax on cigarettes accounts for about 85% of total annual tobacco taxes collected by the Municipality.

Notification of the 2017 tax rates will be forwarded to current tobacco tax licensees in the near future. Revised tax return forms showing this new rate will be made available to the taxpayers by Treasury no later than January 10, 2017.

Cc: Eric Larson, Revenue Analyst



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Consumer Price Index, Anchorage – First Half 2016

Area prices were up 0.1 percent over the past six months, down 0.1 percent from a year ago

Prices in the Anchorage Area, as measured by the Consumer Price Index for All Urban Consumers (CPI-U), rose 0.1 percent in the first half of 2016, the U.S. Bureau of Labor Statistics reported today. (See [table A](#).) Assistant Commissioner for Regional Operations Richard Holden noted that the six-month increase was influenced by higher prices for shelter and medical care. (Data in this report are not seasonally adjusted. Accordingly, six-month-to-six-month changes may reflect seasonal influences.)

Over the last 12 months, the CPI-U edged down 0.1 percent. (See [chart 1](#) and [table A](#).) Energy prices dropped 10.0 percent, largely the result of a decrease in the price of gasoline. The index for all items less food and energy increased 1.0 percent over the year. (See [table 1](#).)

News Release Information

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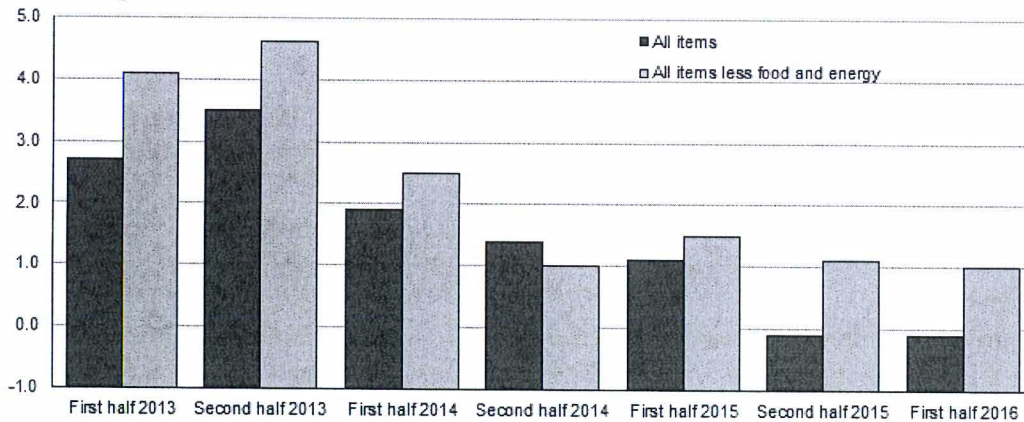
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Chart 1. Over-the-year percent change in CPI-U, Anchorage, first half 2013–first half 2016

Percent change



Source: U.S. Bureau of Labor Statistics.

Food

Food prices declined 0.6 percent in the first half of 2016. (See [table 1](#).) Prices for food at home declined 1.7 percent, but prices for food away from home increased 1.0 percent for the same period.

Over the year, food prices declined 0.6 percent. Prices for food at home decreased 1.9 percent since a year ago, but prices for food away from home advanced 1.4 percent.

Energy

The energy index dropped by 6.9 percent since the second half of 2015. The decrease was mainly due to lower prices for gasoline (-17.2 percent). Prices for electricity advanced by 2.1 percent, while prices for natural gas service rose 1.8 percent in the same period.

Energy prices dropped 10.0 percent over the year, largely due to lower prices for gasoline (-19.7 percent). Prices paid for electricity rose 3.1 percent,

but prices for natural gas service decreased 6.7 percent during the past year.

All items less food and energy

The index for all items less food and energy advanced 0.9 percent in the latest six-month period. Higher prices for medical care (3.2 percent) and shelter (0.4 percent) were partially offset by lower prices for recreation (-0.9 percent) and education and communication (-0.8 percent).

Over the year, the index for all items less food and energy increased 1.0 percent. Components contributing to the increase included medical care and apparel (4.3 percent each) and shelter (0.4 percent). Partly offsetting the increase was a price decline in recreation (-2.6 percent).

Table A. Anchorage CPI-U semi-annual and annual percent changes (not seasonally adjusted)

Month	2011		2012		2013		2014		2015		2016	
	Semi-annual	Annual	Semi-annual	Annual	Semi-annual	Annual	Semi-annual	Annual	Semi-annual	Annual	Semi-annual	Annual
First Half	2.5	2.8	1.3	2.5	2.1	2.7	0.4	1.9	0.1	1.1	0.1	-0.1
Second Half	1.1	3.6	0.7	2.0	1.4	3.5	1.0	1.4	-0.2	-0.1		

The second half of 2016 Consumer Price Index for the Anchorage is scheduled to be released mid-January 2017.

Technical Note

The Consumer Price Index (CPI) is a measure of the average change in prices over time in a fixed market basket of goods and services. The Bureau of Labor Statistics publishes CPIs for two population groups: (1) a CPI for All Urban Consumers (CPI-U) which covers approximately 89 percent of the total population and (2) a CPI for Urban Wage Earners and Clerical Workers (CPI-W) which covers 28 percent of the total population. The CPI-U includes, in addition to wage earners and clerical workers, groups such as professional, managerial, and technical workers, the self-employed, short-term workers, the unemployed, and retirees and others not in the labor force.

The CPI is based on prices of food, clothing, shelter, and fuels, transportation fares, charges for doctors' and dentists' services, drugs, and the other goods and services that people buy for day-to-day living. Each month, prices are collected in 87 urban areas across the country from about 6,000 housing units and approximately 24,000 retail establishments--department stores, supermarkets, hospitals, filling stations, and other types of stores and service establishments. All taxes directly associated with the purchase and use of items are included in the index.

The index measures price changes from a designated reference date (1982-84) that equals 100.0. An increase of 16.5 percent, for example, is shown as 116.5. This change can also be expressed in dollars as follows: the price of a base period "market basket" of goods and services in the CPI has risen from \$10 in 1982-84 to \$11.65. For further details see the CPI home page on the Internet at www.bls.gov/cpi and the BLS Handbook of Methods, Chapter 17, The Consumer Price Index, available on the Internet at www.bls.gov/opub/hom/homch17_a.htm.

In calculating the index, price changes for the various items in each location are averaged together with weights that represent their importance in the spending of the appropriate population group. Local data are then combined to obtain a U.S. city average. Because the sample size of a local area is smaller, the local area index is subject to substantially more sampling and other measurement error than the national index. In addition, local indexes are not adjusted for seasonal influences. As a result, local area indexes show greater volatility than the national index, although their long-term trends are quite similar. NOTE: Area indexes do not measure differences in the level of prices between cities; they only measure the average change in prices for each area since the base period.

The Anchorage, AK. metropolitan area covered in this release is comprised of Anchorage Borough in the State of Alaska.

Information in this release will be made available to sensory impaired individuals upon request. Voice phone: 202-691-5200; Federal Relay Service: 1-800-877-8339.

Table 1. Consumer Price Index for All Urban Consumers (CPI-U): Indexes for semiannual averages and percent changes for selected periods

Anchorage, AK (1982-84=100 unless otherwise noted)

Item and Group	Semiannual average indexes			Percent change to 1st half 2016 from-	
	1st half 2015	2nd half 2015	1st half 2016	1st half 2015	2nd half 2015
Expenditure category					
All items	217.111	216.706	216.999	-0.1	0.1
All items (1967=100)	579.500	578.418	579.200	-	-
Food and beverages	210.268	210.120	209.180	-0.5	-0.4
Food	216.122	216.150	214.832	-0.6	-0.6
Food at home	216.866	216.361	212.663	-1.9	-1.7
Food away from home	213.840	214.715	216.907	1.4	1.0
Alcoholic beverages	151.103	149.191	151.952	0.6	1.9
Housing	201.025	200.734	201.878	0.4	0.6
Shelter	203.999	204.681	205.557	0.8	0.4

Rent of primary residence	201.004	201.320	201.447	0.2	0.1
Owners' equiv. rent of residences ⁽¹⁾	205.315	206.192	206.865	0.8	0.3
Owners' equiv. rent of primary residence ⁽¹⁾	205.315	206.192	206.865	0.8	0.3
Fuels and utilities	299.184	290.116	293.793	-1.8	1.3
Household energy	309.502	298.761	303.583	-1.9	1.6
Energy services	341.643	330.223	336.680	-1.5	2.0
Electricity	282.993	285.679	291.672	3.1	2.1
Utility (piped) gas service	427.050	391.600	398.532	-6.7	1.8
Household furnishings and operations	126.824	126.476	127.695	0.7	1.0
Apparel	156.327	162.170	162.976	4.3	0.5
Transportation	212.071	208.790	205.643	-3.0	-1.5
Private transportation	213.479	210.999	206.410	-3.3	-2.2
Motor fuel	233.301	225.864	186.614	-20.0	-17.4
Gasoline (all types)	233.608	226.490	187.591	-19.7	-17.2
Gasoline, unleaded regular ⁽²⁾	226.641	219.648	181.438	-19.9	-17.4
Gasoline, unleaded midgrade ^{(2) (3)}	221.460	214.863	178.918	-19.2	-16.7
Gasoline, unleaded premium ⁽²⁾	230.024	223.439	187.287	-18.6	-16.2
Medical care	504.742	510.228	526.418	4.3	3.2
Recreation ⁽⁴⁾	120.976	118.896	117.865	-2.6	-0.9
Education and communication ⁽⁴⁾	119.529	119.268	118.291	-1.0	-0.8
Other goods and services	329.681	329.651	331.509	0.6	0.6
Commodity and service group					
All Items	217.111	216.706	216.999	-0.1	0.1
Commodities	177.742	177.150	175.334	-1.4	-1.0
Commodities less food & beverages	160.545	159.726	157.423	-1.9	-1.4
Nondurables less food & beverages	201.039	202.718	196.657	-2.2	-3.0
Durables	126.401	123.220	123.997	-1.9	0.6
Services	250.782	250.549	252.744	0.8	0.9
Special aggregate indexes					
All items less medical care	206.540	205.962	205.777	-0.4	-0.1
All items less shelter	221.304	220.345	220.382	-0.4	0.0
Commodities less food	160.508	159.639	157.556	-1.8	-1.3
Nondurables	206.749	207.485	204.021	-1.3	-1.7
Nondurables less food	197.659	199.027	193.728	-2.0	-2.7
Services less rent of shelter ⁽¹⁾	325.761	323.923	328.494	0.8	1.4
Services less medical care services	233.861	233.542	235.251	0.6	0.7
Energy	265.053	256.191	238.520	-10.0	-6.9
All items less energy	214.495	214.659	216.168	0.8	0.7
All items less food and energy	214.538	214.727	216.725	1.0	0.9
Footnotes					
(1) Index is on a December 1982=100 base.					
(2) Special index based on a substantially smaller sample.					
(3) Indexes on a December 1993=100 base.					
(4) Indexes on a December 1997=100 base.					
- Data not available.					

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*www.bls.gov/regions/west/news-release/ConsumerPriceIndex-Anchorage.htm
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