



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

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Bulletin 15 of 2018
Inflation Rate Multiplier
October 22, 2018

TO: Assessors and Equalization Directors

FROM: State Tax Commission

RE: Inflation Rate Multiplier for use in the 2019 capped value formula and the “Headlee” Millage Reduction Fraction (MRF) formula

Note: The Calculation of the Inflation Rate Multiplier is set in statute. MCL 211.34d states:
(l) "Inflation rate" means the ratio of the general price level for the state fiscal year ending in the calendar year immediately preceding the current year divided by the general price level for the state fiscal year ending in the calendar year before the year immediately preceding the current year.
(f) "General price level" means the annual average of the 12 monthly values for the United States consumer price index for all urban consumers as defined and officially reported by the United States department of labor, bureau of labor statistics.

Based on this statutory requirement, the calculation for 2019 is as follows:

1. The 12 monthly values for October 2016 through September 2017 are averaged.
2. The 12 monthly values for October 2017 through September 2018 are averaged.
3. The ratio is calculated by dividing the average of column 2 by the average of column 1.

The specific numbers from the US Department of Labor, Bureau of Labor Statistics are as follows:

Oct-16	241.729	Oct-17	246.663
Nov-16	241.353	Nov-17	246.669
Dec-16	241.432	Dec-17	246.524
Jan-17	242.839	Jan-18	247.867
Feb-17	243.603	Feb-18	248.991
Mar-17	243.801	Mar-18	249.554
Apr-17	244.524	Apr-18	250.546
May-17	244.733	May-18	251.588
Jun-17	244.955	Jun-18	251.989
Jul-17	244.786	Jul-18	252.006
Aug-17	245.519	Aug-18	252.146
Sep-17	<u>246.819</u>	Sep-18	<u>252.439</u>
Average	243.841	Average	249.749
		Ratio	1.024
		% Change	2.4%

Local units cannot develop or adopt or use an inflation rate multiplier other than 1.024 in 2019. It is not acceptable for local units to indicate to taxpayers that you do not know how the multiplier is developed.

➤ **Inflation Rate Multiplier Used in the 2019 Capped Value Formula**

The inflation rate, expressed as a multiplier, to be used in the 2019 Capped Value Formula is 1.024.

The 2019 Capped Value Formula is as follows:

$$\mathbf{2019\ CAPPED\ VALUE = (2018\ Taxable\ Value - LOSSES) \times 1.024 + ADDITIONS}$$

The formula above does not include 1.05 because the inflation rate multiplier of 1.024 is lower than 1.05.

➤ **Inflation Rate Multiplier Used in 2019 “Headlee” Calculations**

The inflation rate multiplier of 1.024 shall ALSO be used in the calculation of the 2019 “Headlee” Millage Reduction Fraction required by Michigan Compiled Law (MCL) 211.34d. The formula for calculating the 2019 “Headlee” Millage Reduction Fraction (MRF) is as follows:

$$\mathbf{2019\ MRF = \frac{(2018\ Taxable\ Value - LOSSES) \times 1.024}{2019\ Taxable\ Value - ADDITIONS}}$$

- The following is a listing of the inflation rate multipliers used in the Capped Value and "Headlee" calculations since the start of Proposal A:

1995	1.026
1996	1.028
1997	1.028
1998	1.027
1999	1.016
2000	1.019
2001	1.032
2002	1.032
2003	1.015
2004	1.023
2005	1.023
2006	1.033
2007	1.037
2008	1.023
2009	1.044
2010	0.997
2011	1.017
2012	1.027
2013	1.024
2014	1.016
2015	1.016
2016	1.003
2017	1.009
2018	1.021
2019	1.024