STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

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Bulletin 16 of 2017
Inflation Rate Multiplier
October 30, 2017

TO: **Assessors and Equalization Directors**

FROM: **State Tax Commission**

RE: **Inflation Rate Multiplier for use in the 2018 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 2017 is as follows:
1. The 12 monthly values for October 2015 through September 2016 are averaged.
2. The 12 monthly values for October 2016 through September 2017 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-15	237.838	Oct-16	241.729
Nov-15	237.336	Nov-16	241.353
Dec-15	236.525	Dec-16	241.432
Jan-16	236.916	Jan-17	242.839
Feb-16	237.111	Feb-17	243.603
Mar-16	238.132	Mar-17	243.801
Apr-16	239.261	Apr-17	244.524
May-16	240.229	May-17	244.733
Jun-16	241.018	Jun-17	244.955
Jul-16	240.628	Jul-17	244.786
Aug-16	240.849	Aug-17	245.519
Sep-16	241.428	Sep-17	246.819
Average	**238.939**		**243.841**
		Ratio	**1.021**
		% Change	**2.1%**

Local units <u>cannot</u> develop or adopt or use an inflation rate multiplier other than 1.021 in 2018. 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 2018 Capped Value Formula**

The inflation rate, expressed as a multiplier, to be used in the 2018 Capped Value Formula is 1.021.

The 2018 Capped Value Formula is as follows:

2018 CAPPED VALUE = (2017 Taxable Value – LOSSES) X 1.021 + ADDITIONS

The formula above does not include 1.05 because the inflation rate multiplier of 1.021 is lower than 1.05.

> ➢ **Inflation Rate Multiplier Used in 2018 "Headlee" Calculations**

The inflation rate multiplier of 1.021 shall ALSO be used in the calculation of the 2018 "Headlee" Millage Reduction Fraction required by Michigan Compiled Law (MCL) 211.34d. The formula for calculating the 2018 "Headlee" Millage Reduction Fraction (MRF) is as follows:

2018 MRF = <u>(2017 Taxable Value – LOSSES) X 1.021</u>
2018 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