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**Bulletin 17 of 2022**  
**Inflation Rate Multiplier**  
**November 15, 2022**

**TO:** Assessors and Equalization Directors

**FROM:** Michigan State Tax Commission

**SUBJECT:** Inflation Rate Multiplier for use in the 2023 capped value formula and the "Headlee" Millage Reduction Fraction (MRF) formula

The calculation of the Inflation Rate Multiplier is set in statute in MCL 211.34d:

(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.

**Calculation of 2023 Inflation Rate Multiplier**

Based on the statutory requirements in MCL 211.34d, the calculation of the inflation rate multiplier for 2023 is as follows:

1. The 12 monthly values for October 2020 through September 2021 are averaged.
2. The 12 monthly values for October 2021 through September 2022 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:

**CPI Data used to Calculate Inflation Rate Ratio for 2023 Property Taxes**

	<u><b>FY 2020 - 2021</b></u>		<u><b>FY 2021 - 2022</b></u>
Oct 2020	260.388	Oct 2021	276.589
Nov 2020	260.229	Nov 2021	277.948
Dec 2020	260.474	Dec 2021	278.802
Jan 2021	261.582	Jan 2022	281.148
Feb 2021	263.014	Feb 2022	283.716
Mar 2021	264.877	Mar 2022	287.504
Apr 2021	267.054	Apr 2022	289.109
May 2021	269.195	May 2022	292.296
Jun 2021	271.696	Jun 2022	296.311
Jul 2021	273.003	Jul 2022	296.276
Aug 2021	273.567	Aug 2022	296.171
Sep 2021	274.310	Sep 2022	296.808
Average	266.616	Average	287.723
		Ratio	1.079
		% change	7.9%

**Important:** Local units **cannot** develop or adopt or use an inflation rate multiplier other than 1.05 in 2023. It is not acceptable for local units or assessors to indicate to taxpayers that they do not know how the multiplier is developed.

**Inflation Rate Multiplier (IRM) Used in the 2023 Capped Value Formula**

The inflation rate, expressed as a multiplier, to be used in the 2023 Capped Value Formula is 1.05.

**2023 CAPPED VALUE = (2022 Taxable Value – LOSSES) X 1.05 + ADDITIONS**

- The formula above includes 1.05 because the inflation rate multiplier of 1.079 is higher than 1.05.

**Inflation Rate Multiplier Used in 2023 “Headlee” Calculations**

The inflation rate multiplier of 1.079 must be used in the calculation of the 2023 “Headlee” Millage Reduction Fraction required by Michigan Compiled Law (MCL) 211.34d.

The formula for calculating the 2023 “Headlee” Millage Reduction Fraction (MRF) is:

**2023 MRF =  $\frac{(2022 \text{ Taxable Value} - \text{LOSSES}) \times 1.079}{2023 \text{ Taxable Value} - \text{ADDITIONS}}$**

## **Historical Inflation Rate Multipliers**

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

<b>Year</b>	<b>IRM</b>
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

<b>Year</b>	<b>IRM</b>
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
2020	1.019
2021	1.014
2022	1.033
2023	1.05 (Capped Value) 1.079 (Headlee)