



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

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BULLETIN 11 of 2016
Inflation Rate Multiplier
October 18, 2016

TO: Assessors and Equalization Directors

FROM: State Tax Commission

RE: Inflation Rate Multiplier for use in the 2017 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 2016 is as follows:

1. The 12 monthly values for October 2014 through September 2015 are averaged.
2. The 12 monthly values for October 2015 through September 2016 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-14	237.433	Oct-15	237.838
Nov-14	236.151	Nov-15	237.336
Dec-14	234.812	Dec-15	236.525
Jan-15	233.707	Jan-16	236.916
Feb-15	234.722	Feb-16	237.111
Mar-15	236.119	Mar-16	238.132
Apr-15	236.599	Apr-16	239.261
May-15	237.805	May-16	240.229
Jun-15	238.638	Jun-16	241.018
Jul-15	238.654	Jul-16	240.628
Aug-15	238.316	Aug-16	240.849
Sep-15	237.945	Sep-16	241.428
Average	236.742		238.939

Ratio 1.009
% Change 0.9%

Local units cannot develop or adopt or use an inflation rate multiplier other than 1.009 in 2017. 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 2017 Capped Value Formula**

The inflation rate, expressed as a multiplier, to be used in the 2017 Capped Value Formula is 1.009.

The 2017 Capped Value Formula is as follows:

$$\text{2017 CAPPED VALUE} = (\text{2016 Taxable Value} - \text{LOSSES}) \times 1.009 + \text{ADDITIONS}$$

The formula above does not include 1.05 because the inflation rate multiplier of 1.009 is lower than 1.05.

➤ **Inflation Rate Multiplier Used in 2017 "Headlee" Calculations**

The inflation rate multiplier of 1.009 shall ALSO be used in the calculation of the 2017 "Headlee" Millage Reduction Fraction required by Michigan Compiled Law (MCL) 211.34d. The formula for calculating the 2017 "Headlee" Millage Reduction Fraction (MRF) is as follows:

$$\text{2017 MRF} = \frac{(\text{2016 Taxable Value} - \text{LOSSES}) \times 1.009}{\text{2017 Taxable Value} - \text{ADDITIONS}}$$

- 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