



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

NICK A. KHOURI
STATE TREASURER

BULLETIN 13 of 2015
Inflation Rate Multiplier
October 12, 2015

TO: Assessors and Equalization Directors

FROM: State Tax Commission

RE: Inflation Rate Multiplier for use in the 2016 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 2013 through September 2014 are averaged.
2. The 12 monthly values for October 2014 through September 2015 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-13	233.546	Oct-14	237.433
Nov-13	233.069	Nov-14	236.151
Dec-13	233.049	Dec-14	234.812
Jan-14	233.916	Jan-15	233.707
Feb-14	234.781	Feb-15	234.722
Mar-14	236.293	Mar-15	236.119
Apr-14	237.072	Apr-15	236.599
May-14	237.900	May-15	237.805
Jun-14	238.343	Jun-15	238.638
Jul-14	238.250	Jul-15	238.654
Aug-14	237.852	Aug-15	238.316
Sep-14	238.031	Sep-15	237.945
Average	236.009		236.742
		Ratio	1.003
		% Change	0.3%

Local units cannot develop or adopt or use an inflation rate multiplier other than 1.003 in 2016. 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 2016 Capped Value Formula**

The inflation rate, expressed as a multiplier, to be used in the 2016 Capped Value Formula is 1.003.

The 2016 Capped Value Formula is as follows:

$$\mathbf{2016\ CAPPED\ VALUE = (2015\ Taxable\ Value - LOSSES) \times 1.003 + ADDITIONS}$$

The formula above does not include 1.05 because the inflation rate multiplier of 1.003 is lower than 1.05.

➤ **Inflation Rate Multiplier Used in 2016 "Headlee" Calculations**

The inflation rate multiplier of 1.003 shall ALSO be used in the calculation of the 2016 "Headlee" Millage Reduction Fraction required by Michigan Compiled Law (MCL) 211.34d. The formula for calculating the 2016 "Headlee" Millage Reduction Fraction (MRF) is as follows:

$$\mathbf{2016\ MRF = \frac{(2015\ Taxable\ Value - LOSSES) \times 1.003}{2016\ Taxable\ Value - ADDITIONS}}$$

- 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