



STATE OF MICHIGAN
DEPARTMENT OF TREASURY

RICK SNYDER
GOVERNOR

R. KEVIN CLINTON
STATE TREASURER

BULLETIN 13 of 2013
Inflation Rate Multiplier
November 4, 2013

TO: Assessors and Equalization Directors

FROM: State Tax Commission

RE: Inflation Rate Multiplier for use in the 2014 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 2014 is as follows:

1. The 12 monthly values for October 2011 through September 2012 are averaged.
2. The 12 monthly values for October 2012 through September 2013 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-11	226.421	Oct-12	231.317
Nov-11	226.230	Nov-12	230.221
Dec-11	225.672	Dec-12	229.601
Jan-12	226.665	Jan-13	230.280
Feb-12	227.663	Feb-13	232.166
Mar-12	229.392	Mar-13	232.773
Apr-12	230.085	Apr-13	232.531
May-12	229.815	May-13	232.945
Jun-12	229.478	Jun-13	233.504
Jul-12	229.104	Jul-13	233.596
Aug-12	230.379	Aug-13	233.877
Sep-12	231.407	Sep-13	234.149
Average	228.526		232.247

Ratio **1.016**
Change **1.6%**

Local units cannot develop or adopt or use an inflation rate multiplier other than 1.016 in 2014. 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 2014 Capped Value Formula**

The inflation rate, expressed as a multiplier, to be used in the 2014 Capped Value Formula is 1.016.

The 2014 Capped Value Formula is as follows:

$$\mathbf{2014\ CAPPED\ VALUE = (2013\ Taxable\ Value - LOSSES) \times 1.016 + ADDITIONS}$$

The formula above does not include 1.05 because the inflation rate multiplier of 1.016 is lower than 1.05.

➤ **Inflation Rate Multiplier Used in 2014 "Headlee" Calculations**

The inflation rate multiplier of 1.016 shall ALSO be used in the calculation of the 2014 "Headlee" Millage Reduction Fraction required by Michigan Compiled Law (MCL) 211.34d. The formula for calculating the 2014 "Headlee" Millage Reduction Fraction (MRF) is as follows:

$$\mathbf{2014\ MRF = \frac{(2013\ Taxable\ Value - LOSSES) \times 1.016}{2014\ Taxable\ Value - ADDITIONS}}$$

- 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	.997
2011	1.017
2012	1.027
2013	1.024
2014	1.016