



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

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Bulletin 15 of 2019
Inflation Rate Multiplier
October 14, 2019

TO: Assessors and Equalization Directors

FROM: State Tax Commission

RE: Inflation Rate Multiplier for use in the 2020 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 2020 is as follows:

1. The 12 monthly values for October 2017 through September 2018 are averaged.
2. The 12 monthly values for October 2018 through September 2019 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-17	246.663	Oct-18	252.885
Nov-17	246.669	Nov-18	252.038
Dec-17	246.524	Dec-18	251.233
Jan-18	247.867	Jan-19	251.712
Feb-18	248.991	Feb-19	252.776
Mar-18	249.554	Mar-19	254.202
Apr-18	250.546	Apr-19	255.548
May-18	251.588	May-19	256.092
Jun-18	251.989	Jun-19	256.143
Jul-18	252.006	Jul-19	256.571
Aug-18	252.146	Aug-19	256.558
Sep-18	252.439	Sep-19	256.759
Average	249.749		254.376
		Ratio	1.019
		% Change	1.9%

Local units cannot develop or adopt or use an inflation rate multiplier other than 1.019 in 2020. 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 2020 Capped Value Formula**

The inflation rate, expressed as a multiplier, to be used in the 2020 Capped Value Formula is 1.019.

The 2020 Capped Value Formula is as follows:

$$\mathbf{2020\ CAPPED\ VALUE = (2019\ Taxable\ Value - LOSSES) \times 1.019 + ADDITIONS}$$

The formula above does not include 1.05 because the inflation rate multiplier of 1.019 is lower than 1.05.

➤ **Inflation Rate Multiplier Used in 2020 “Headlee” Calculations**

The inflation rate multiplier of 1.019 shall ALSO be used in the calculation of the 2020 “Headlee” Millage Reduction Fraction required by Michigan Compiled Law (MCL) 211.34d. The formula for calculating the 2020 “Headlee” Millage Reduction Fraction (MRF) is as follows:

$$\mathbf{2020\ MRF = \frac{(2019\ Taxable\ Value - LOSSES) \times 1.019}{2020\ Taxable\ Value - ADDITIONS}}$$

- 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
2019	1.024
2020	1.019