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**Bulletin 15 of 2021  
Inflation Rate Multiplier  
November 16, 2021**

**TO:** Assessors and Equalization Directors

**FROM:** Michigan State Tax Commission

**SUBJECT:** Inflation Rate Multiplier for use in the 2022 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 2022 Inflation Rate Multiplier**

Based on the statutory requirements in MCL 211.34d, the calculation of the inflation rate multiplier for 2022 is as follows:

1. The 12 monthly values for October 2019 through September 2020 are averaged.
2. The 12 monthly values for October 2020 through September 2021 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:

	<b><u>FY 2019-2020</u></b>		<b><u>FY 2020-2021</u></b>
Oct 2019	257.346	Oct 2020	260.388
Nov 2019	257.208	Nov 2020	260.229
Dec 2019	256.974	Dec 2020	260.474
Jan 2020	257.971	Jan 2021	261.582
Feb 2020	258.678	Feb 2021	263.014
Mar 2020	258.115	Mar 2021	264.877
Apr 2020	256.389	Apr 2021	267.054
May 2020	256.394	May 2021	269.195
Jun 2020	257.797	Jun 2021	271.696
Jul 2020	259.101	Jul 2021	273.003
Aug 2020	259.918	Aug 2021	273.567
Sep 2020	260.28	Sep 2021	274.31
Average	258.014	Average	266.616

<b>Ratio</b>	<b>1.033</b>
<b>% Change</b>	<b>3.3%</b>

**Important:** Local units **cannot** develop or adopt or use an inflation rate multiplier other than 1.033 in 2022. 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 2022 Capped Value Formula**

The inflation rate, expressed as a multiplier, to be used in the 2022 Capped Value Formula is 1.033.

**2022 CAPPED VALUE = (2021 Taxable Value – LOSSES) X 1.033 + ADDITIONS**

- The formula above does not include 1.05 because the inflation rate multiplier of 1.033 is lower than 1.05.

**Inflation Rate Multiplier Used in 2022 “Headlee” Calculations**

The inflation rate multiplier of 1.033 shall also be used in the calculation of the 2022 “Headlee” Millage Reduction Fraction required by Michigan Compiled Law (MCL) 211.34d.

The formula for calculating the 2022 “Headlee” Millage Reduction Fraction (MRF) is:

**2022 MRF = (2021 Taxable Value – LOSSES) X 1.033  
2022 Taxable Value – 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

<b>Year</b>	<b>IRM</b>
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
2021	1.014
2022	1.033