



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY

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**BULLETIN 13 of 2014**  
**Inflation Rate Multiplier**  
**October 13, 2014**

**TO: Assessors and Equalization Directors**

**FROM: State Tax Commission**

**RE: Inflation Rate Multiplier for use in the 2015 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 2015 is as follows:

1. The 12 monthly values for October 2012 through September 2013 are averaged.
2. The 12 monthly values for October 2013 through September 2014 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-12	231.317	Oct-13	233.546
Nov-12	230.221	Nov-13	233.069
Dec-12	229.601	Dec-13	233.049
Jan-13	230.280	Jan-14	233.916
Feb-13	232.166	Feb-14	234.781
Mar-13	232.773	Mar-14	236.293
Apr-13	232.531	Apr-14	237.072
May-13	232.945	May-14	237.900
Jun-13	233.504	Jun-14	238.343
Jul-13	233.596	Jul-14	238.250
Aug-13	233.877	Aug-14	237.852
Sep-13	234.149	Sep-14	238.031
<b>Average</b>	<b>232.247</b>		<b>236.009</b>

Ratio	<b>1.016</b>
% Change	<b>1.6%</b>

**Local units cannot develop or adopt or use an inflation rate multiplier other than 1.016 in 2015. 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 2015 Capped Value Formula**

The inflation rate, expressed as a multiplier, to be used in the 2015 Capped Value Formula is 1.016.

The 2015 Capped Value Formula is as follows:

$$\mathbf{2015\ CAPPED\ VALUE = (2014\ Taxable\ Value - LOSSES) \times 1.016 + ADDITIONS}$$

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 2015 “Headlee” Calculations**

The inflation rate multiplier of 1.016 shall ALSO be used in the calculation of the 2015 “Headlee” Millage Reduction Fraction required by Michigan Compiled Law (MCL) 211.34d. The formula for calculating the 2015 “Headlee” Millage Reduction Fraction (MRF) is as follows:

$$\mathbf{2015\ MRF = \frac{(2014\ Taxable\ Value - LOSSES) \times 1.016}{2015\ Taxable\ Value - ADDITIONS}}$$

- 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
2015	1.016