



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

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BULLETIN NO. 16 of 2010
INFLATION RATE
OCTOBER 26, 2010

TO: Assessors
Equalization Directors

FROM: State Tax Commission

RE: Inflation Rate Multiplier for use in the 2011 capped value formula and the 2011 "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 2011 is as follows:

1. The 12 monthly values for October 2008 through September 2009 are averaged.
2. The 12 monthly values for October 2009 through September 2010 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-08	216.573	Oct-09	216.177
Nov-08	212.425	Nov-09	216.330
Dec-08	210.228	Dec-09	215.949
Jan-09	211.143	Jan-10	216.687
Feb-09	212.193	Feb-10	216.741
Mar-09	212.709	Mar-10	217.631
Apr-09	213.240	Apr-10	218.009
May-09	213.856	May-10	218.178
Jun-09	215.693	Jun-10	217.965
Jul-09	215.351	Jul-10	218.011
Aug-09	215.834	Aug-10	218.312
Sep-09	215.969	Sep-10	218.439
Average	213.768		

Ratio **1.017**

% Change **1.7%**

Local units cannot develop or adopt or use an inflation rate multiplier other than 1.017 in 2011. 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 2011 Capped Value Formula**

The inflation rate, expressed as a multiplier, to be used in the 2011 Capped Value Formula is **1.017**.

The 2011 Capped Value Formula is as follows:

$$\mathbf{2011\ CAPPED\ VALUE = (2010\ Taxable\ Value - LOSSES) \times 1.017 + ADDITIONS}$$

The formula above does not include 1.05 because the inflation rate multiplier of 1.017 is lower than 1.05.

➤ **Inflation Rate Multiplier Used in 2011 "Headlee" Calculations**

The inflation rate multiplier of 1.017 shall ALSO be used in the calculation of the 2011 "Headlee" Millage Reduction Fraction required by Michigan Compiled Law (MCL) 211.34d. The formula for calculating the 2011 "Headlee" Millage Reduction Fraction (MRF) is as follows:

$$\mathbf{2011\ MRF = \frac{(2010\ Taxable\ Value - LOSSES) \times 1.017}{2011\ Taxable\ Value - ADDITIONS}}$$

- 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