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GOVERNOR

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Bulletin 16 of 2020 Inflation Rate Multiplier October 20, 2020

TO: Assessors and Equalization Directors

FROM: State Tax Commission

RE: Inflation Rate Multiplier for use in the 2021 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 2021 is as follows:

- 1. The 12 monthly values for October 2018 through September 2019 are averaged.
- 2. The 12 monthly values for October 2019 through September 2020 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:

	FY 2018 - 2019	FY	<u> 2019 - 2020</u>
Oct 2018	252.885	Oct 2019	257.346
Nov 2018	252.038	Nov 2019	257.208
Dec 2018	251.233	Dec 2019	256.974
Jan 2019	251.712	Jan 2020	257.971
Feb 2019	252.776	Feb 2020	258.678
Mar 2019	254.202	Mar 2020	258.115
Apr 2019	255.548	Apr 2020	256.389
May 2019	256.092	May 2020	256.394
Jun 2019	256.143	Jun 2020	257.797
Jul 2019	256.571	Jul 2020	259.101
Aug 2019	256.558	Aug 2020	259.918
Sep 2019	<u>256.759</u>	Sep 2020	260.280
Average	254.376	Average	258.014
		Ratio	1.014
		%change	1.4%

Local units <u>cannot</u> develop or adopt or use an inflation rate multiplier other than 1.014 in 2021. It is not acceptable for local units to indicate to taxpayers that you do not know how the multiplier is developed.

➤ Inflation Rate Multiplier (IRM) Used in the 2021 Capped Value Formula

The inflation rate, expressed as a multiplier, to be used in the 2021 Capped Value Formula is 1.014.

The 2021 Capped Value Formula is as follows:

2021 CAPPED VALUE = (2020 Taxable Value – LOSSES) X 1.014 + ADDITIONS

The formula above does not include 1.05 because the inflation rate multiplier of 1.014 is lower than 1.05.

➤ Inflation Rate Multiplier Used in 2021 "Headlee" Calculations

The inflation rate multiplier of 1.014 shall ALSO be used in the calculation of the 2021 "Headlee" Millage Reduction Fraction required by Michigan Compiled Law (MCL) 211.34d. The formula for calculating the 2021 "Headlee" Millage Reduction Fraction (MRF) is as follows:

2021 MRF = (2020 Taxable Value – LOSSES) X 1.014 2021 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:

IRM	
1.026	
1.028	
1.028	
1.027	
1.016	
1.019	
1.032	
1.032	
1.015	
1.023	
1.023	
1.033	
1.037	
1.023	
1.044	
0.997	

Year	IRM
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