STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

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BULLETIN NO. 6 of 2008
INFLATION RATE
OCTOBER 27, 2008

TO: **Assessors**
             Equalization Directors

FROM: **State Tax Commission**

RE: **Inflation Rate Multiplier for use in the 2009 capped value formula and the 2009 "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 2009 is as follows:

1. The 12 monthly values for October 2006 through September 2007 are averaged.
2. The 12 monthly values for October 2007 through September 2008 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-06	201.800	Oct-07	208.936
Nov-06	201.500	Nov-07	210.177
Dec-06	201.800	Dec-07	210.036
Jan-07	202.416	Jan-08	211.080
Feb-07	203.499	Feb-08	211.693
Mar-07	205.352	Mar-08	213.528
Apr-07	206.686	Apr-08	214.823
May-07	207.949	May-08	216.632
Jun-07	208.352	Jun-08	218.815
Jul-07	208.299	Jul-08	219.964
Aug-07	207.917	Aug-08	219.086
Sep-07	208.490	Sep-08	218.783
Average	**205.338**		**214.463**
		Ratio	**1.044**
		% Change	**4.4%**

Local units <u>cannot</u> develop or adopt or use an inflation rate multiplier other than 1.044 in 2009. 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 2009 Capped Value Formula**

The inflation rate, expressed as a multiplier, to be used in the 2009 Capped Value Formula is **1.044.**

The 2009 Capped Value Formula is as follows:

2009 CAPPED VALUE = (2008 Taxable Value – LOSSES) X 1.044 + ADDITIONS

The formula above does not include 1.05 because the inflation rate multiplier of 1.044 is lower than 1.05.

> ➢ **Inflation Rate Multiplier Used in 2009 "Headlee" Calculations**

The inflation rate multiplier of 1.044 shall ALSO be used in the calculation of the 2009 "Headlee" Millage Reduction Fraction required by Michigan Compiled Law (MCL) 211.34d.

The formula for calculating the 2009 "Headlee" Millage Reduction Fraction (MRF) is as follows:

$$\text{2009 MRF} = \frac{\text{(2008 Taxable Value – LOSSES) X } \underline{1.044}}{\text{2009 Taxable Value – ADDITIONS}}$$

> ➢ 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