



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

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BULLETIN NO. 10 of 2009
INFLATION RATE
OCTOBER 13, 2009

**TO: Assessors
Equalization Directors**

FROM: State Tax Commission

**RE: Inflation Rate Multiplier for use in the 2010 capped value formula and the 2010
“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 2010 is as follows:

1. The 12 monthly values for October 2007 through September 2008 are averaged.
2. The 12 monthly values for October 2008 through September 2009 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-07	208.936	Oct-08	216.573
Nov-07	210.177	Nov-08	212.425
Dec-07	210.036	Dec-08	210.228
Jan-08	211.080	Jan-09	211.143
Feb-08	211.693	Feb-09	212.193
Mar-08	213.528	Mar-09	212.709
Apr-08	214.823	Apr-09	213.240
May-08	216.632	May-09	213.856
Jun-08	218.815	Jun-09	215.693
Jul-08	219.964	Jul-09	215.351
Aug-08	219.086	Aug-09	215.834
Sep-08	218.783	Sep-09	215.969
Average	214.463		213.768
		Ratio	0.997
		% Change	-.3%

Local units cannot develop or adopt or use an inflation rate multiplier other than .997 in 2010. 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 2010 Capped Value Formula**

The inflation rate, expressed as a multiplier, to be used in the 2010 Capped Value Formula is **.997**.

The 2010 Capped Value Formula is as follows:

$$\mathbf{2010\ CAPPED\ VALUE = (2009\ Taxable\ Value - LOSSES) \times .997 + ADDITIONS}$$

The formula above does not include 1.05 because the inflation rate multiplier of .997 is lower than 1.05.

➤ **Inflation Rate Multiplier Used in 2010 "Headlee" Calculations**

The inflation rate multiplier of .997 shall ALSO be used in the calculation of the 2010 "Headlee" Millage Reduction Fraction required by Michigan Compiled Law (MCL) 211.34d.

The formula for calculating the 2010 "Headlee" Millage Reduction Fraction (MRF) is as follows:

$$\mathbf{2010\ MRF = \frac{(2009\ Taxable\ Value - LOSSES) \times .997}{2010\ Taxable\ Value - ADDITIONS}}$$

- 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