# State of Michigan
# State Tax Commission

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## Inflation Rate Multiplier for use in the 2027 Capped Value Formula and the "Headlee" Millage Reduction Fraction (MRF) Formula

The calculation of the Inflation Rate Multiplier is set in statute in MCL 211.34d:

> (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 official reported by the United States Department of Labor, Bureau of Labor Statistics.

### Calculation of 2027 Inflation Rate Multiplier

Based on the statutory requirements in MCL 211.34d, the calculation of the inflation rate multiplier for 2027 is as follows:

1. The 12 monthly values for October 2024 through September 2025 are averaged.
2. The 12 monthly values for October 2025 through September 2026 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 United States Department of Labor Statistics are as follows:

**CPI data used to calculate Inflation Rate Ratio for 2027 property taxes:**

| Month/Year | Fiscal Year Value | Month/Year | Fiscal Year Value |
|---|---|---|---|
| October 2024 | 315.664 | October 2025 | Unavailable |
| November 2024 | 315.493 | November 2025 | 324.122 |
| December 2024 | 315.605 | December 2025 | 324.054 |
| January 2025 | 317.671 | January 2026 | 325.252 |
| February 2025 | 319.082 | February 2026 | 326.785 |
| March 2025 | 319.799 | March 2026 | 330.213 |
| April 2025 | 320.795 | April 2026 | 333.020 |
| May 2025 | 321.465 | May 2026 | 335.123 |
| June 2025 | 322.561 | June 2026 | 333.952 |
| July 2025 | 323.048 | July 2026 | 333.918 |
| August 2025 | 323.976 | August 2026 | 334.980 |
| September 2025 | 324.800 | September 2026 | 336.940 |

The fiscal year average for 2025 is 319.997. The fiscal year average for 2026 is 330.760. Due to the 2025 federal lapse in appropriations, the Bureau of Labor Statistics (BLS) did not publish the United States consumer price index for all urban consumers (US CPI-U) for the month of October 2025. Therefore, the calculation of the average of the October 2025 through September 2026 period will only use the BLS published monthly indices. The Adjustment Ratio is 330.760 (fiscal year 2026) divided by 319.997 (fiscal year 2025) which equals 1.034. The annual percentage ratio is **3.4%.**

**Important:** Local units **cannot** develop or adopt or use an inflation rate multiplier other than 1.034 in 2027. It is not acceptable for local units or assessors to indicate to taxpayers that they do not know how the multiplier is developed.

## Inflation Rate Multiplier (IRM) Used in 2027 Capped Value Formula

The inflation rate, expressed as a multiplier, to be used in the 2027 Capped Value formula is 1.034.

**2027 CAPPED VALUE = (2026 Taxable Value – LOSSES) x 1.034 + ADDITIONS**

The formula above does not include 1.05 as the inflation rate multiplier of 1.034 is less than 1.05.

## Inflation Rate Multiplier Used in 2027 "Headlee" Calculations

The inflation rate multiplier of 1.034 shall ALSO be used in the calculation of the 2027 "Headlee" Millage Reduction Fraction required by MCL 211.34d.

The formula for calculating the 2027 "Headlee" Millage Reduction Fraction (MRF) is:

**2027 MRF = (2026 Taxable Value – LOSSES) x 1.034/(2026 Taxable Value – ADDITIONS)**

## Historical Inflation Rate Multipliers

The following is a listing of the inflation rate multipliers used in the Capped Value and "Headlee" calculation since the start of Proposal A.

| YEAR | IRM | YEAR | IRM | YEAR | IRM |
|---|---|---|---|---|---|
| 1995 | 1.026 | 2006 | 1.033 | 2017 | 1.009 |
| 1996 | 1.028 | 2007 | 1.037 | 2018 | 1.021 |
| 1997 | 1.028 | 2008 | 1.023 | 2019 | 1.024 |
| 1998 | 1.027 | 2009 | 1.044 | 2020 | 1.019 |
| 1999 | 1.016 | 2010 | 0.997 | 2021 | 1.014 |
| 2000 | 1.019 | 2011 | 1.017 | 2022 | 1.033 |
| 2001 | 1.032 | 2012 | 1.027 | 2023 | 1.079 Headlee/1.05 Capped |
| 2002 | 1.032 | 2013 | 1.024 | 2024 | 1.051 Headlee/1.05 Capped |
| 2003 | 1.015 | 2014 | 1.016 | 2025 | 1.031 |
| 2004 | 1.023 | 2015 | 1.016 | 2026 | 1.027 |
| 2005 | 1.023 | 2016 | 1.003 | 2027 | 1.034 |