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STATE OF MICHIGAN
DEPARTMENT OF TREASURY
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Inflation Rate Multiplier
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TO: Assessors and Equalization Directors

FROM: Michigan State Tax Commission

SUBJECT: Inflation Rate Multiplier for use in the 2025 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 officially reported by the United States Department of Labor, Bureau of Labor Statistics.

Calculation of 2025 Inflation Rate Multiplier

Based on the statutory requirements in MCL 211.34d, the calculation of the inflation rate multiplier for 2025 is as follows:

1. The 12 monthly values for October 2022 through September 2023 are averaged.
2. The 12 monthly values for October 2023 through September 2024 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:

CPI data used to calculate Inflation Rate Ratio for 2024 property taxes

2024 Calculations

FY 2022 - 2023		FY 2023 - 2024	
Oct-22	298.012	Oct-23	307.671
Nov-22	297.711	Nov-23	307.051
Dec-22	296.797	Dec-23	306.746
Jan-23	299.170	Jan-24	308.417
Feb-23	300.840	Feb-24	310.326
Mar-23	301.836	Mar-24	312.332
Apr-23	303.363	Apr-24	313.548
May-23	304.127	May-24	314.069
Jun-23	305.109	Jun-24	314.175
Jul-23	305.691	Jul-24	314.540
Aug-23	307.026	Aug-24	314.796
Sep-23	307.789	Sep-24	315.301
Average	**302.289**	**Average**	**311.581**

Ratio	**1.031**
% Change	**3.1%**

Important: Local units **cannot** develop or adopt or use an inflation rate multiplier other than 1.031 in 2025. 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 the 2025 Capped Value Formula

The inflation rate, expressed as a multiplier, to be used in the 2025 Capped Value Formula is 1.031.

2025 CAPPED VALUE = (2024 Taxable Value – LOSSES) X 1.031 + ADDITIONS

- The formula above does not include 1.05 because the inflation rate multiplier of 1.031 is lower than 1.05.

Inflation Rate Multiplier Used in 2025 "Headlee" Calculations

The inflation rate multiplier of 1.031 shall ALSO be used in the calculation of the 2025 "Headlee" Millage Reduction Fraction required by Michigan Compiled Law (MCL) 211.34d.

The formula for calculating the 2025 "Headlee" Millage Reduction Fraction (MRF) is:

$$2025\ \text{MRF} = \frac{(2024\ \text{Taxable Value} - \text{LOSSES}) \times 1.031}{2025\ \text{Taxable Value} - \text{ADDITIONS}}$$

Historical Inflation Rate Multipliers

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

YEAR	IRM
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	0.997
2011	1.017

YEAR	IRM
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
2022	1.033
2023	1.050 (Capped Value) 1.079 (Headlee)
2024	1.050 (Capped Value) 1.051 (Headlee)
2025	1.031