TO: Darla Erickson, Department of Administration
          Cody Pearce, Department of Administration

FROM: Eric Dale, Tax Policy and Research

DATE: April 19, 2021

RE: Inflation Factor for Mill Levy Calculation in 15-10-420, MCA for FY 2022

The inflation factor for FY 2022 is 0.93%.

Per 15-10-420, MCA, "a governmental entity that is authorized to impose mills may impose a mill levy sufficient to generate the amount of property taxes actually assessed in the prior year plus one-half of the average rate of inflation for the prior 3 years."

Additionally, the Department of Revenue shall, "calculate one-half of the average rate of inflation for the prior 3 years by using the consumer price index (CPI), U.S. city average, all urban consumers, using the 1982-84 base of 100, as published by the bureau of labor statistics of the United States Department of Labor."

One-half the average rate of (compounding) inflation was determined by taking the cubed root of the CPI for December 2020 (260.474) divided by the CPI for December 2017 (246.524), subtracting one, and multiplying the result by 50%.

$$\left(\frac{Inflation}{Factor} \right) = \left(\sqrt[3]{\frac{CPI_{2020}}{CPI_{2017}}} - 1 \right)(50\%) = \left(\sqrt[3]{\frac{260.474}{246.524}} - 1 \right)(50\%) = 0.93\%$$

If you have any other questions, please feel free to contact me by way of email at edale@mt.gov or by phone at 406-444-7925.

Cc: Eric Bryson, MACo   Ralph Franklin, OBPP
       Tim Burton, MLCT   Ed Caplis, DOR TPR
       Kory Hofland, DOR PAD   Brendan Beatty, DOR
       Julia Pattin, LFD