



Mike Kadas
Director

Montana Department of Revenue



Steve Bullock
Governor

TO: Kim Smith, Department of Administration
 FROM: Emily Klungvedt, Tax Policy and Research
 DATE: April 6, 2016
 RE: Inflation Factor for Mill Levy Calculation in 15-10-420, MCA for FY 2017

The inflation factor for FY 2017 is 0.50%.

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 2015 (236.525) divided by the CPI for December 2012 (229.601), subtracting one, and multiplying the result by 50%.

$$Inflation = \left(\sqrt[3]{\frac{CPI_{2015}}{CPI_{2012}}} - 1 \right) (50\%) = \left(\sqrt[3]{\frac{236.525}{229.601}} - 1 \right) (50\%) = 0.50\%$$

If you have any other questions, please feel free to contact me by way of email at eklungvedt@mt.gov or by phone at 406-444-6634.

Cc: Harold Blattie, MACo	Ralph Franklin, OBPP
Tim Burton, MLCT	Ed Caplis, TPR
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	Nick Brown, LFD