michigan municipal league

Fact Sheet

Headlee Rollback and Headlee Override

Introduction

The term "Headlee Rollback" became part of municipal finance lexicon in 1978 with the passage of the Headlee Amendment to Michigan's Constitution. In a nutshell, Headlee requires a local unit of government to reduce its millage when annual growth on existing property is greater than the rate of inflation. As a consequence, the local unit's millage rate gets "rolled back" so that the resulting growth in property tax revenue, community-wide, is no more than the rate of inflation. A "Headlee override" is a vote by the electors to return the millage to the amount originally authorized via charter, state statute, or a vote of the people, and is necessary to counteract the effects of the "Headlee Rollback."

Impact of Headlee Amendment

Since the passage of the Headlee Amendment, units of government are required to annually calculate a Headlee rollback factor. The annual factor is then added to Headlee rollback factors determined in prior years resulting in a cumulative Headlee rollback factor sometimes referred to as the "millage reduction fraction." This total "millage reduction fraction" is then applied to the millage originally authorized by charter, state statute, or a vote of the people. In summary, the actual mills available to be levied by a unit of local government is the product of the authorized millage rate times the total millage reduction fraction. This is known as the "Headlee maximum allowable millage."

Impact of Proposal A

Prior to Proposal A legislation passed in 1994, local governments were allowed to "roll up" their millage rates when growth on existing property was less than inflation. "Roll ups" were a self-correcting mechanism that allowed local governments to naturally recapture taxing authority lost due to Headlee rollbacks in prior years. A local government could only "roll up" its millage rate to the amount originally authorized by charter, state statute, or a vote of the people.

Additions to taxable value (such as newly constructed property) are typically excluded (or exempt) from the Headlee roll back calculation. The 1994 General Property Tax Act changes did not specifically define "uncapped values" (increases resulting primarily from property transfers) as exempt.

Result

Although it might appear that a community with an annual increase in uncapped property values would benefit monetarily, uncapped values are treated as growth on existing property and trigger Headlee rollbacks. For local governments levying at their Headlee maximum authorized millage, rolling back the maximum authorized millage rate reduces the revenue that would have been generated from these increased property values. The increase in the taxable value of property not transferred is capped at the lesser of inflation or five percent. Even though the taxable value of a particular piece of property increases at the rate of inflation, the millage rate for the entire community is "rolled back" as a result of the increase in the total taxable value of the community. The net result—a less than inflationary increase in the actual dollars received from property taxes. Consequently, the 1994 change to the General Property Tax Act has prevented local governments from being able to share the benefits of any substantial market growth in existing property values.

Based on System Failure: Michigan's Broken Municipal Finance Model. Prepared for the Michigan Municipal League by Plante and Moran, PLLC

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Bulletin 14 of 2025
Inflation Rate Multiplier
November 18, 2025

TO: Assessors and Equalization Directors

FROM: Michigan State Tax Commission

SUBJECT: Inflation Rate Multiplier for use in the 2026 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 2026 Inflation Rate Multiplier

Based on the statutory requirements in MCL 211.34d, the calculation of the inflation rate multiplier for 2026 is as follows:

1. The 12 monthly values for October 2023 through September 2024 are averaged.
2. The 12 monthly values for October 2024 through September 2025 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 2026 property taxes

2025 Calculations

FY 2023 - 2024		FY 2024 - 2025	
Oct-23	307.671	Oct-24	315.664
Nov-23	307.051	Nov-24	315.493
Dec-23	306.746	Dec-24	315.605
Jan-24	308.417	Jan-25	317.671
Feb-24	310.326	Feb-25	319.082
Mar-24	312.332	Mar-25	319.799
Apr-24	313.548	Apr-25	320.795
May-24	314.069	May-25	321.465
Jun-24	314.175	Jun-25	322.561
Jul-24	314.540	Jul-25	323.048
Aug-24	314.796	Aug-25	323.976
Sep-24	315.301	Sep-25	324.800
Average	**311.581**	**Average**	**319.997**

Ratio	**1.027**
% Change	**2.7%**

Important: Local units **cannot** develop or adopt or use an inflation rate multiplier other than 1.027 in 2026. 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 2026 Capped Value Formula

The inflation rate, expressed as a multiplier, to be used in the 2026 Capped Value Formula is 1.027.

2026 CAPPED VALUE = (2025 Taxable Value – LOSSES) X 1.027 + ADDITIONS

- The formula above does not include 1.05 because the inflation rate multiplier of 1.027 is lower than 1.05.

Inflation Rate Multiplier Used in 2026 “Headlee” Calculations

The inflation rate multiplier of 1.027 shall ALSO be used in the calculation of the 2026 “Headlee” Millage Reduction Fraction required by Michigan Compiled Law (MCL) 211.34d.

The formula for calculating the 2026 “Headlee” Millage Reduction Fraction (MRF) is:

$$\textbf{2026 MRF} = \frac{\textbf{(2025 Taxable Value – LOSSES) X 1.027}}{\textbf{2026 Taxable Value – ADDITIONS}}$$

Historical Inflation Rate Multipliers

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

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