

Memorandum

TO: Kristin Reynolds, Department of Administration
FROM: Dylan Cole, Tax Policy and Research
DATE: April 1, 2022
RE: Inflation Factor for Mill Levy Calculation in 15-10-420, MCA, for FY 2023

The inflation factor for FY 2023 is 1.77%.

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 2021 (278.802) divided by the CPI for December 2018 (251.233), subtracting one, and multiplying the result by 50%.

$$\left(\begin{array}{c} \text{Inflation} \\ \text{Factor} \end{array} \right) = \left(\sqrt[3]{\frac{CPI_{2021}}{CPI_{2018}}} - 1 \right) (50\%) = \left(\sqrt[3]{\frac{278.802}{251.233}} - 1 \right) (50\%) = 1.77\%$$

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

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