EXHIBIT NO. 3
DATE 3-10-2009

No Phase In, No Class 4 Exemptions

Assumptions (as per decision point mapping document)

Phase In: No

Tax Rates

Class 3 Tax Rate:	3.0%
Class 4 Residential Tax Rate:	3.0%
Class 4 Commercial Tax Rate:	3.0%
Class 10 Tax Rate:	0.35%

Exemptions

Homestead Exemption:	0%
Comstead Exemption:	0%

Circuit Breaker

A single program to replace existing income-based property tax relief programs. Program would cap property tax at 3% of income, the credit would be $1,000 maximum and only those with less than $50,000 in household income are eligible. The program would only be available for property taxes paid on a primary residence.

Additional Features

The tax rates are not decoupled.
There are not staggered or fixed dollar exemptions.

Standards Used in Analysis by Department of Revenue – Tax Policy and Research

Mills

All mills float. The individual home examples and individual business examples use the average consolidated mills. This includes the 6 university mills, the 95 school mills, all mills levied by local jurisdictions and schools.

Growth

The analysis uses the OBPP growth rates for each class of property to estimate the growth in newly taxable property. Every proposal will show additional income in future years from revenue generated from mills on this new property and inflationary increases allowed under 15-10-420, MCA. The comparison between current law and the proposal will show the amount of mitigation.

The impact on property in the reappraisal classes is based on properties whose percentage growth in value due to reappraisal is within the International Association of Assessing Officers' recommended limits. All properties existing in tax year 2008 are included, but the percentage applied to estimate the appreciation in value does not incorporate the extraordinary changes from properties outside these limits.

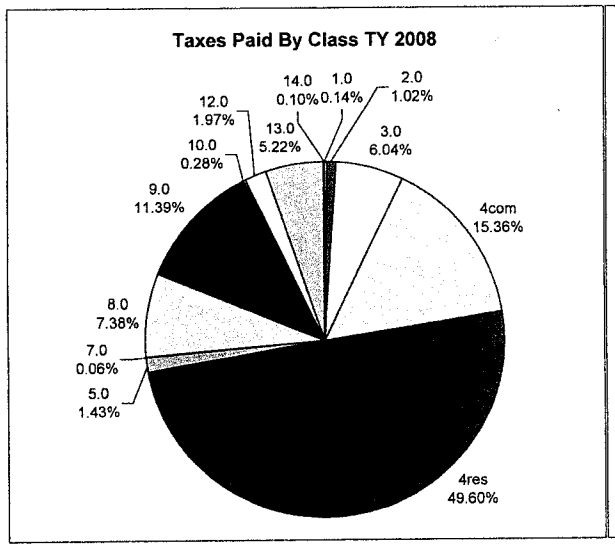
Immediate Phase In, No Exemptions

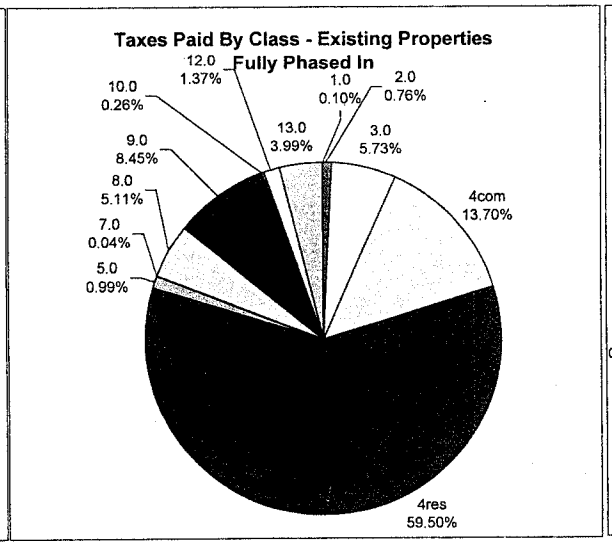
Current Law	Class 3 Agricultural Tax Rate	Class 4 Residential Tax Rate	Class 4 Commercial Tax Rate	Class 10 Forestland Tax Rate	Class 4 Homestead	Class 4 Comstead
	3.01%	3.01%	3.01%	0.35%	34.00%	15.00%

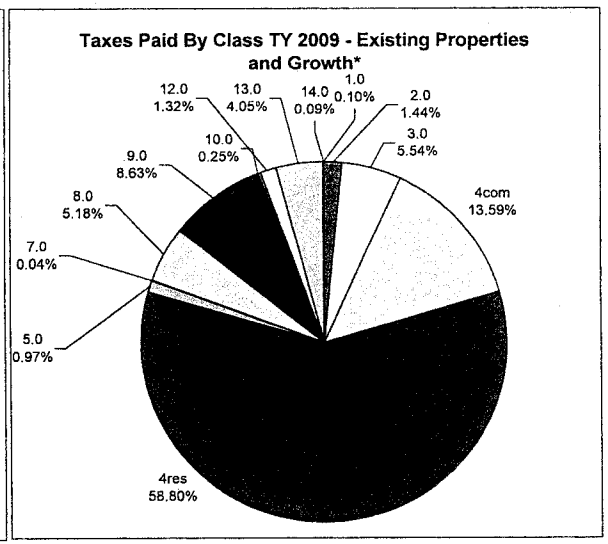
Proposed Mitigation	Class 3 Agricultural Tax Rate	Class 4 Residential Tax Rate	Class 4 Commercial Tax Rate	Class 10 Forestland Tax Rate	Class 4 Homestead	Class 4 Comstead
	3.00%	3.00%	3.00%	0.35%	0.00%	0.00%

		TY 2008		Fully Phased In - Existing Properties				TY 2009 Existing Properties and Growth*			
Tax Class	Description	Taxable Value	Taxes Paid	Taxable Value	Taxes Paid	% Change in Taxes Paid	$ Change in Taxes Paid	Taxable Value	Taxes Paid	% Change in Taxes Paid From TY 2008	$ Change in Taxes Paid From TY 2008
1.0	Mine Net Proceeds	4,013,187	1,651,471	4,013,187	1,125,357	-31.86%	(526,114)	4,013,187	1,136,422	-31.19%	(515,049)
2.0	Gross Proceeds	24,540,432	11,627,140	24,540,432	8,614,163	-25.91%	(3,012,977)	48,379,008	17,148,944	47.49%	5,521,805
3.0	Agricultural Land	142,098,658	68,908,193	189,718,675	65,308,919	-5.22%	(3,599,274)	189,718,675	65,951,101	-4.29%	(2,957,091)
4com	Commercial Property	289,796,019	175,206,000	463,334,987	156,189,345	-10.85%	(19,016,655)	475,372,746	161,848,867	-7.62%	(13,357,133)
4res	Residential Property	1,006,798,601	565,830,038	2,352,151,270	678,112,397	19.84%	112,282,359	2,405,578,918	700,442,056	23.79%	134,612,018
5.0	Pollution Control Equipment	35,154,576	16,275,932	35,154,576	11,236,542	-30.96%	(5,039,389)	35,899,806	11,588,799	-28.80%	(4,687,133)
7.0	Non-Centrally Assessed Utilities	1,214,360	734,443	1,214,360	503,649	-31.42%	(230,794)	1,244,355	521,163	-29.04%	(213,279)
8.0	Business Personal Property	163,140,404	84,149,499	163,140,404	58,230,800	-30.80%	(25,918,700)	171,248,482	61,725,911	-26.65%	(22,423,588)
9.0	Non-Electrical Generating Property of Electrical Utilities	263,086,175	129,940,878	263,086,175	96,341,469	-25.86%	(33,599,410)	277,976,853	102,795,340	-20.89%	(27,145,538)
10.0	Forestland	6,815,620	3,241,315	10,499,506	2,987,573	-7.83%	(253,743)	10,499,506	3,016,949	-6.92%	(224,366)
12.0	Railroad and Airline Property	43,567,384	22,475,586	43,567,384	15,581,466	-30.67%	(6,894,120)	43,615,302	15,751,985	-29.92%	(6,723,601)
13.0	Telecommunications & Electric Property	154,611,156	59,531,164	154,611,156	45,492,923	-23.58%	(14,038,241)	162,403,558	48,255,644	-18.94%	(11,275,521)
14.0	Commercial Wind Generation Facilities	2,943,785	1,175,095	2,943,785	1,022,153	-13.02%	(152,942)	3,179,877	1,114,987	-5.12%	(60,108)
Total		2,137,780,357	1,140,746,754	3,707,975,897	1,140,746,754	0.00%	0	3,829,130,273	1,191,298,170	4.43%	50,551,415

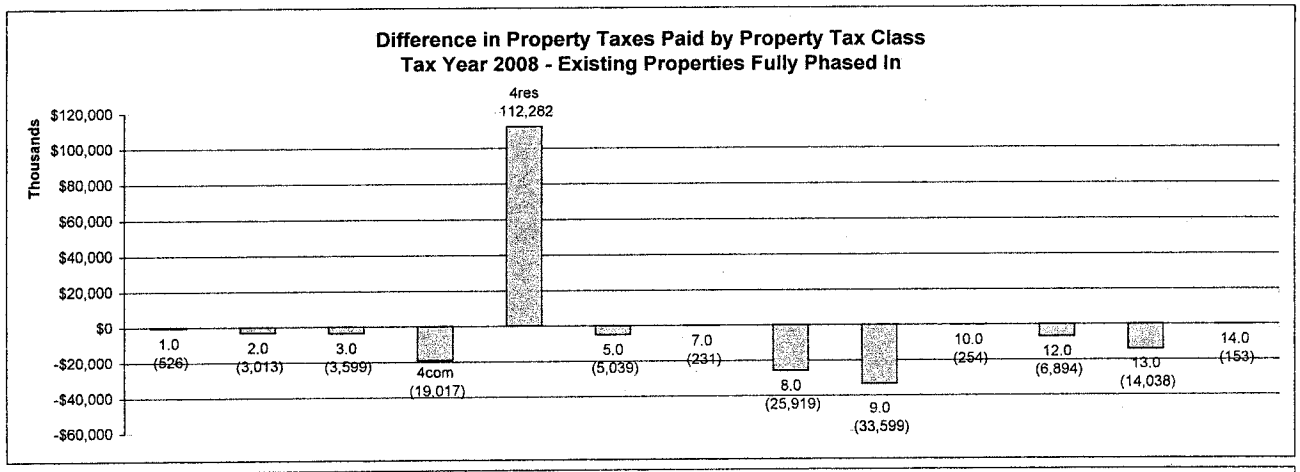
*Growth includes both new property and the inflation growth allowed by 15-10-420, MCA

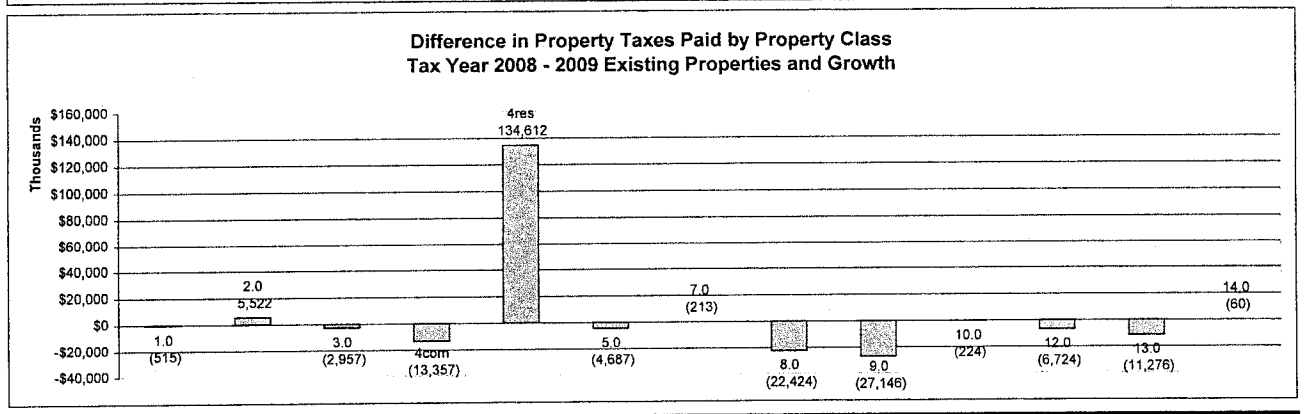






Current Law					
Class 3 Agricultural Tax Rate 3.01%	Class 4 Residential Tax Rate 3.01%	Class 4 Commercial Tax Rate 3.01%	Class 10 Forestland Tax Rate 0.35%	Class 4 Homestead 34.00%	Class 4 Comstead 15.00%
Proposed Mitigation					
Class 3 Agricultural Tax Rate 3.00%	Class 4 Residential Tax Rate 3.00%	Class 4 Commercial Tax Rate 3.00%	Class 10 Forestland Tax Rate 0.35%	Class 4 Homestead 0.00%	Class 4 Comstead 0.00%





Balance Sheet of Tax Changes Caused by This Mitigation Proposal (Tax Year 2008 - Existing Properties Fully Phased In)

Transfer to Class 4 Residential	$112,282,359
Amount in Circuit Breaker	$0
Transfer to Class 4 Commercial	-$19,016,655
Transfer from All Other Classes	$93,265,704
Total	**$0**

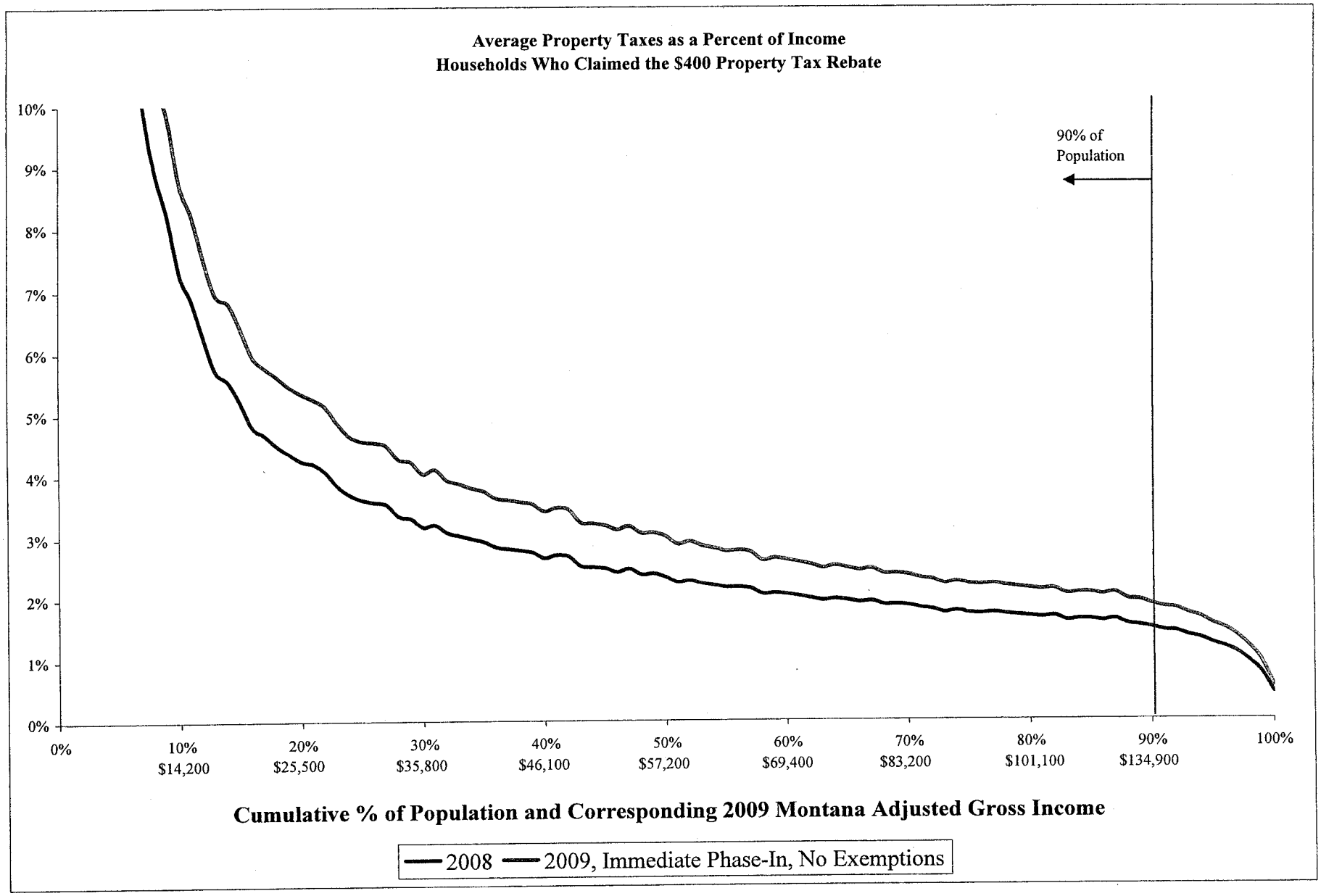
This balance sheet is calculated using the difference between the taxes paid in FY 2008 and the calculated amounts that existing properties will pay when fully phased in. Circuit breakers are included in the calculation, reducing the transfer to Class 4 residential property.

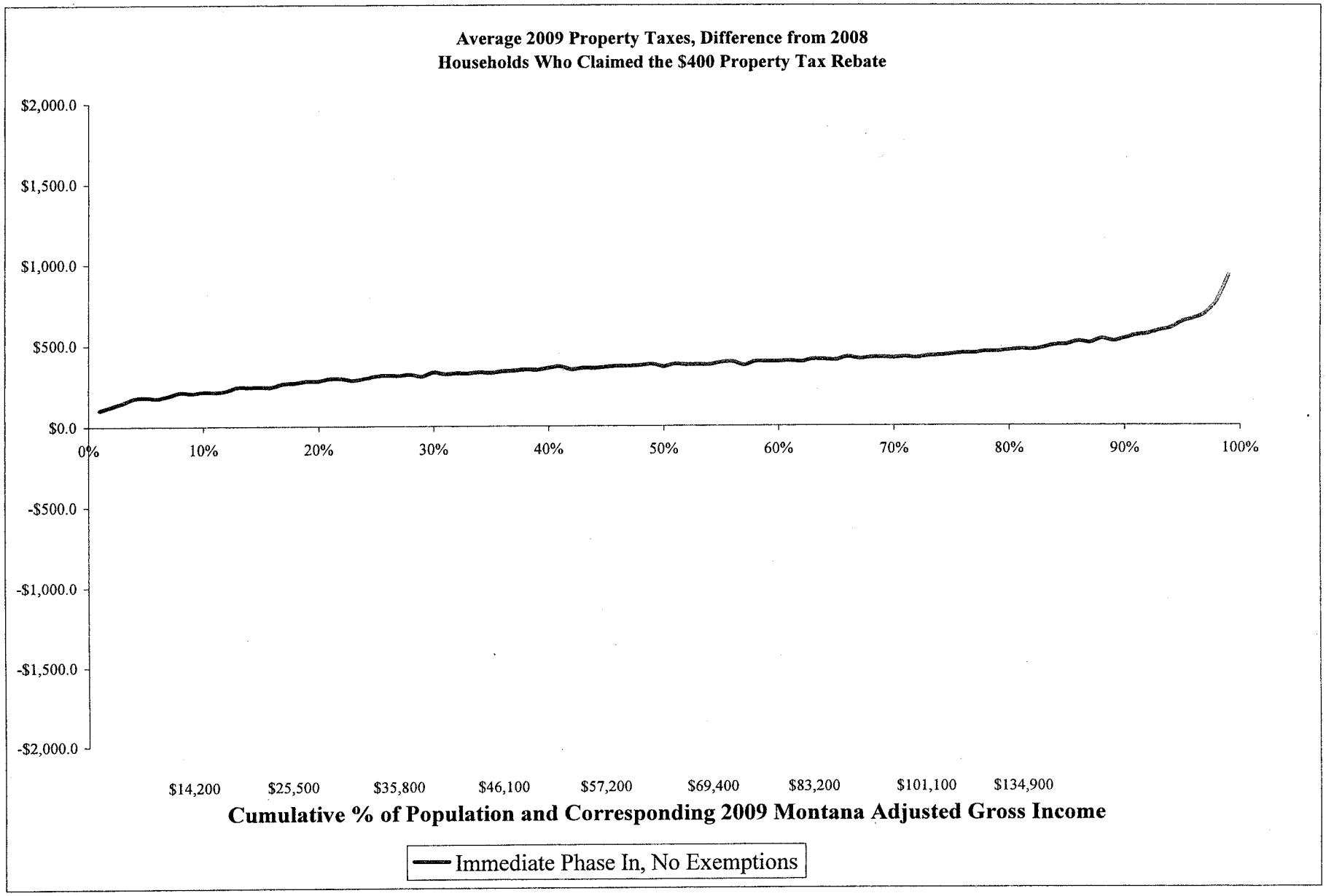
Immediate Phase-In, No Exemptions

Circuit Breaker
Immediate Phase-In, No Exemptions

Existing Elderly Homeowner/Renter Credit

Credit for Property Tax More Than This Percent of Income		varies, 0% to 5%
Maximum Credit		$1,000
Credit Begins to Phase-Out at This Income		$35,000
Credit is Completely Phased-Out at This Income		$45,000
	Number	Amount
Credits to Homeowners	14,514	$6,842,774
Credits to Renters	7,567	$2,967,852
Total	22,081	$9,810,626
Additional Mills to Fund Circuit Breaker		0.00


Average Property Taxes as a Percent of Income
Households Who Claimed the $400 Property Tax Rebate
10%
9%
8%
7%
6%
5%
4%
3%
2%
1%
0%
90% of Population
0%
10% $14,200
20% $25,500
30% $35,800
40% $46,100
50% $57,200
60% $69,400
70% $83,200
80% $101,100
90% $134,900
100%
Cumulative % of Population and Corresponding 2009 Montana Adjusted Gross Income
2008
2009, Immediate Phase-In, No Exemptions


Average 2009 Property Taxes, Difference from 2008
Households Who Claimed the $400 Property Tax Rebate
$2,000.0
$1,500.0
$1,000.0
$500.0
$0.0
-$500.0
-$1,000.0
-$1,500.0
-$2,000.0
0%
10%
20%
30%
40%
50%
60%
70%
80%
90%
100%
$14,200
$25,500
$35,800
$46,100
$57,200
$69,400
$83,200
$101,100
$134,900
Cumulative % of Population and Corresponding 2009 Montana Adjusted Gross Income
Immediate Phase In, No Exemptions

Immediate Phase-In, No Exemptions

Current Law					
Class 3 Agricultural Tax Rate	Class 4 Residential Tax Rate	Class 4 Commercial Tax Rate	Class 10 Forestland Tax Rate	Homestead	Comstead
3.01%	3.01%	3.01%	0.35%	34.00%	15.00%
Proposed Mitigation					
Class 3 Agricultural Tax Rate	Class 4 Residential Tax Rate	Class 4 Commercial Tax Rate	Class 10 Forestland Tax Rate	Homestead	Comstead
3.00%	3.00%	3.00%	0.35%	**0.00%**	0.00%

Assumptions: Homestead Exemption = No Homestead Exemption
No Comstead Exemption

Calculation of Tax Liability

1. Market Value = 2008 Market Value + Phase In Amount
2. Market Value x (1 - Homestead) = Taxable Market Value
3. Taxable Market Value x Tax Rate = Taxable Value
4. Taxable Value x Mills / 1000 = Tax Liability

Example of the TY 2009 Median Value Home

MV Before Reappraisal	$98,400	
MV After Reappraisal	$152,000	
Tax Year	**2008**	**2009**
Market Value	$98,400	$152,000
Homestead	34.00%	0.00%
Amount Exempt	$33,456	$0
Taxable Market Value	$64,944	$152,000
Tax Rate	3.01%	3.00%
Taxable Value	$1,955	$4,560
Average Mills	538.19	311.11
Tax Liability	$1,052	$1,419
2009 Income (MAGI)		$65,140
Percent of Income Paid		2.18%
Credit Amount		$0

Example of a TY 2009 Average Value Home

MV Before Reappraisal	$116,900	
MV After Reappraisal	$178,920	
Tax Year	**2008**	**2009**
Market Value	$116,900	$178,920
Homestead	34.00%	0.00%
Amount Exempt	$39,746	$0
Taxable Market Value	$77,154	$178,920
Tax Rate	3.01%	3.00%
Taxable Value	$2,322	$5,368
Average Mills	538.19	311.11
Tax Liability	$1,250	$1,670
2009 Income (MAGI)		$74,759
Percent of Income Paid		2.23%
Credit Amount		$0

Example of a TY 2009 Median Value Resort Home		
MV Before Reappraisal	$150,450	
MV After Reappraisal	$326,600	
Tax Year	**2008**	**2009**
Market Value	$150,450	$326,600
Homestead	34.00%	0.00%
Amount Exempt	$51,153	$0
Taxable Market Value	$99,297	$326,600
Tax Rate	3.01%	3.00%
Taxable Value	$2,989	$9,798
Average Mills	538.19	311.11
Tax Liability	$1,609	$3,048
2009 Income (MAGI)		$59,297
Percent of Income Paid		5.14%
Credit Amount		$0

Example of a TY 2009 $500,000 Home		
MV Before Reappraisal	$300,000	
MV After Reappraisal	$500,000	
Tax Year	**2008**	**2009**
Market Value	$300,000	$500,000
Homestead	34.00%	0.00%
Amount Exempt	$102,000	$0
Taxable Market Value	$198,000	$500,000
Tax Rate	3.01%	3.00%
Taxable Value	$5,960	$15,000
Average Mills	538.19	311.11
Tax Liability	$3,207	$4,667
2009 Income (MAGI)		$200,547
Percent of Income Paid		2.33%
Credit Amount		$0

Example of a TY 2009 $1,000,000 Home		
MV Before Reappraisal	$650,000	
MV After Reappraisal	$1,000,000	
Tax Year	**2008**	**2009**
Market Value	$650,000	$1,000,000
Homestead	34.00%	0.00%
Amount Exempt	$221,000	$0
Taxable Market Value	$429,000	$1,000,000
Tax Rate	3.01%	3.00%
Taxable Value	$12,913	$30,000
Average Mills	538.19	311.11
Tax Liability	$6,950	$9,333
2009 Income (MAGI)		$477,527
Percent of Income Paid		1.95%
Credit Amount		$0

Example of a TY 2009 Business with $200,000 in Class 4 and $100,000 in Class 8		
MV Before Reappraisal	$150,000	
MV After Reappraisal	$200,000	
MV of Class 8	$100,000	
Tax Year	**2008**	**2009**
Class 4		
Market Value	$150,000	$200,000
Homestead	15.00%	0.00%
Amount Exempt	$22,500	$0
Taxable Market Value	$127,500	$200,000
Tax Rate	3.01%	3.00%
Taxable Value	$3,838	$6,000
Average Mills	538.19	311.11
Tax Liability	$2,065	$1,867
Class 8		
Market Value	$100,000	$100,000
Taxable Value	$3,000	$3,000
Mills	538.19	311.11
Tax Liability	$1,615	$933
Total Tax Liability	$3,680	$2,800

Example of a TY 2009 Business with $400,000 in Class 4 and $100,000 in Class 8		
MV Before Reappraisal	$300,000	
MV After Reappraisal	$400,000	
MV of Class 8	$100,000	
Tax Year	**2008**	**2009**
Class 4		
Market Value	$300,000	$400,000
Homestead	15.00%	0.00%
Amount Exempt	$45,000	$0
Taxable Market Value	$255,000	$400,000
Tax Rate	3.01%	3.00%
Taxable Value	$7,676	$12,000
Average Mills	538.19	311.11
Tax Liability	$4,131	$3,733
Class 8		
Market Value	$100,000	$100,000
Taxable Value	$3,000	$3,000
Mills	538.19	311.11
Tax Liability	$1,615	$933
Total Tax Liability	$5,745	$4,667