EXHIBIT NO. 5
DATE 3-10-2009

6 Year Phase-In, Revenue Neutral Class 4 Exemptions

Assumptions (as per decision point mapping document)

Phase In: Yes – 6 years

Tax Rates

Class 3 Tax Rate:	Phased-in to 2.25%
Class 4 Residential Tax Rate:	3.01%
Class 4 Commercial Tax Rate:	3.01%
Class 10 Tax Rate:	Phased-in to 0.23%

Exemptions

Homestead Exemption:	Phased-in to 55.74%
Comstead Exemption:	Phased-in to 39.72%

Circuit Breaker
A single program to replace existing income-based property tax relief programs with the same cost.

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

Reappraisal
The reappraisal cycle would be 3 years.

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.

Multi family structures are treated like class 4 residential property throughout this analysis. Multi family structures are classified as commercial property, but they have the same exemption and tax rate as residential property.

6 Year Phase In, Taxable Neutral Exemptions

Current Law

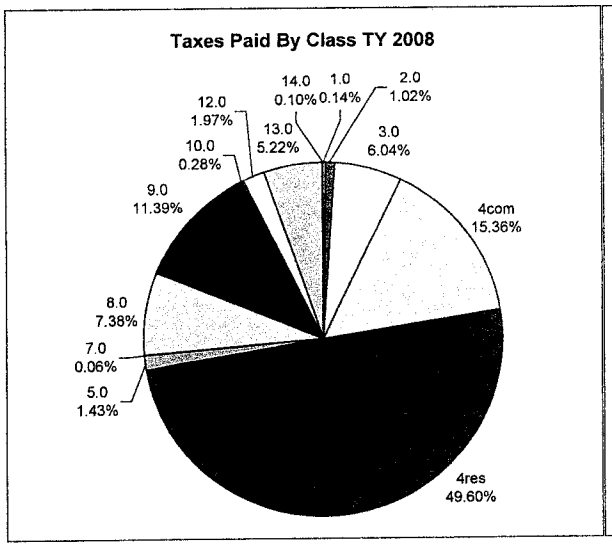
Class 3 Agricultural Tax Rate	Class 4 Residential Tax Rate	Class 4 Commercial Tax Rate	Class 10 Forestland Tax Rate	Class 4 Homestead	Class 4 Comstead
3.01%	3.01%	3.01%	0.35%	34.00%	15.00%

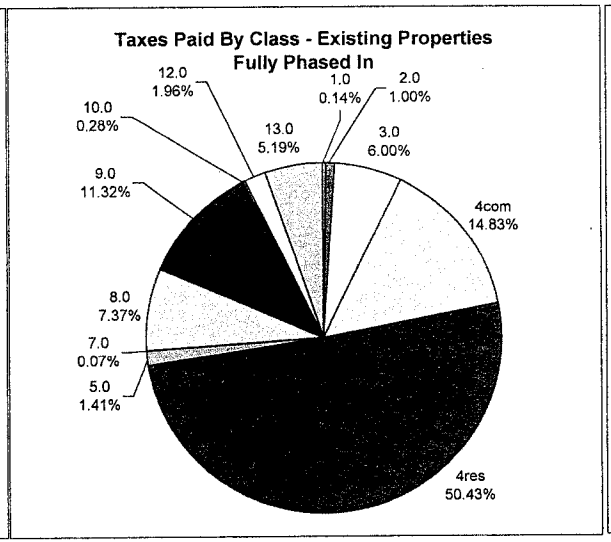
Proposed Mitigation

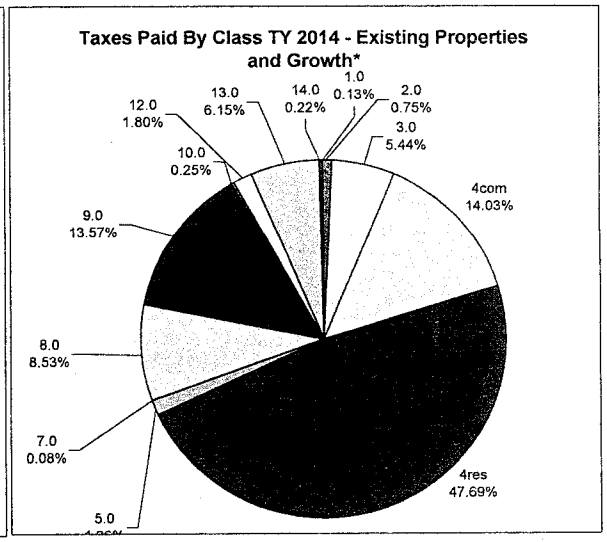
Class 3 Agricultural Tax Rate	Class 4 Residential Tax Rate	Class 4 Commercial Tax Rate	Class 10 Forestland Tax Rate	Class 4 Homestead	Class 4 Comstead
2.25%	3.01%	3.01%	0.23%	55.74%	39.72%

		TY 2008		Fully Phased In - Existing Properties				TY 2014 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	1,625,331	-1.58%	(26,140)	4,089,168	1,758,413	6.48%	106,942
2.0	Gross Proceeds	24,540,432	11,627,140	24,540,432	11,387,019	-2.07%	(240,121)	21,116,736	10,040,953	-13.64%	(1,586,187)
3.0	Agricultural Land	142,098,658	68,908,193	144,186,193	68,379,538	-0.77%	(528,654)	145,364,834	72,820,210	5.68%	3,912,017
4com	Commercial Property	289,796,019	175,206,000	280,229,325	169,044,115	-3.52%	(6,161,885)	288,436,053	187,873,784	7.23%	12,667,784
4res	Residential Property	1,006,798,601	565,830,038	1,042,662,336	574,696,400	1.57%	8,866,362	1,075,665,267	638,504,559	12.84%	72,674,521
5.0	Pollution Control Equipment	35,154,576	16,275,932	35,154,576	16,044,428	-1.42%	(231,504)	37,770,011	18,213,810	11.91%	1,937,878
7.0	Non-Centrally Assessed Utilities	1,214,360	734,443	1,214,360	809,971	10.28%	75,528	1,494,245	1,087,521	48.07%	353,078
8.0	Business Personal Property	163,140,404	84,149,499	163,140,404	83,939,084	-0.25%	(210,415)	209,727,624	114,176,631	35.68%	30,027,132
9.0	Non-Electrical Generating Property of Electrical Utilities	263,086,175	129,940,878	263,086,175	128,955,036	-0.76%	(985,843)	354,294,467	181,646,393	39.79%	51,705,515
10.0	Forestland	6,815,620	3,241,315	6,899,675	3,208,404	-1.02%	(32,912)	6,848,355	3,396,066	4.77%	154,751
12.0	Railroad and Airline Property	43,567,384	22,475,586	43,567,384	22,309,646	-0.74%	(165,940)	44,555,474	24,165,003	7.52%	1,689,417
13.0	Telecommunications & Electric Property	154,611,156	59,531,164	154,611,156	59,200,004	-0.56%	(331,160)	205,933,440	82,333,507	38.30%	22,802,343
14.0	Commercial Wind Generation Facilities	2,943,785	1,175,095	2,943,785	1,147,779	-2.32%	(27,316)	7,643,733	2,894,878	146.35%	1,719,783
Total		2,137,780,357	1,140,746,754	2,166,248,988	1,140,746,754	0.00%	0	2,402,939,408	1,338,911,728	17.37%	198,164,974

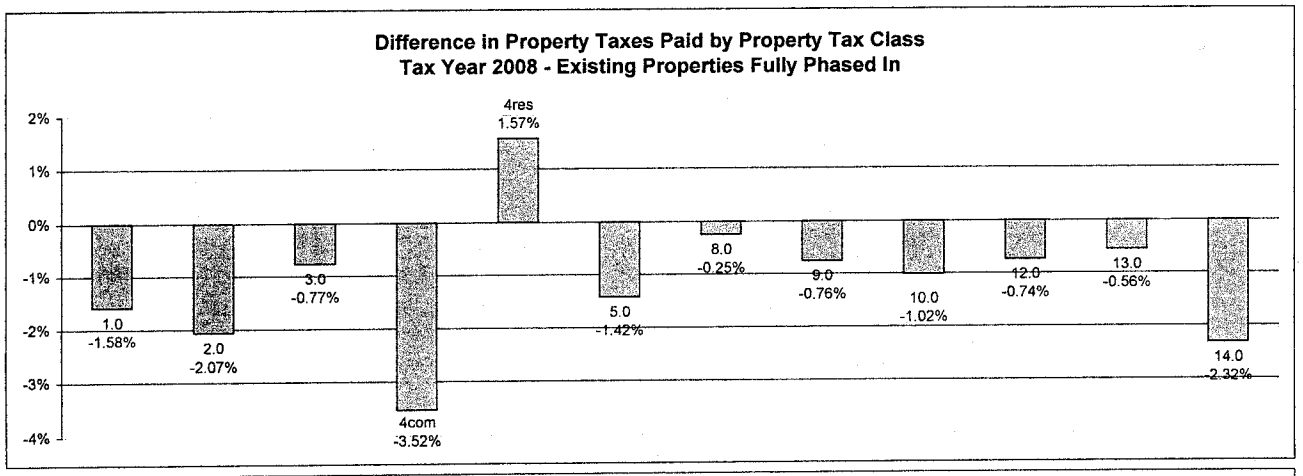
*Growth includes both new property and the inflation growth allowed by 15-10-420, MCA

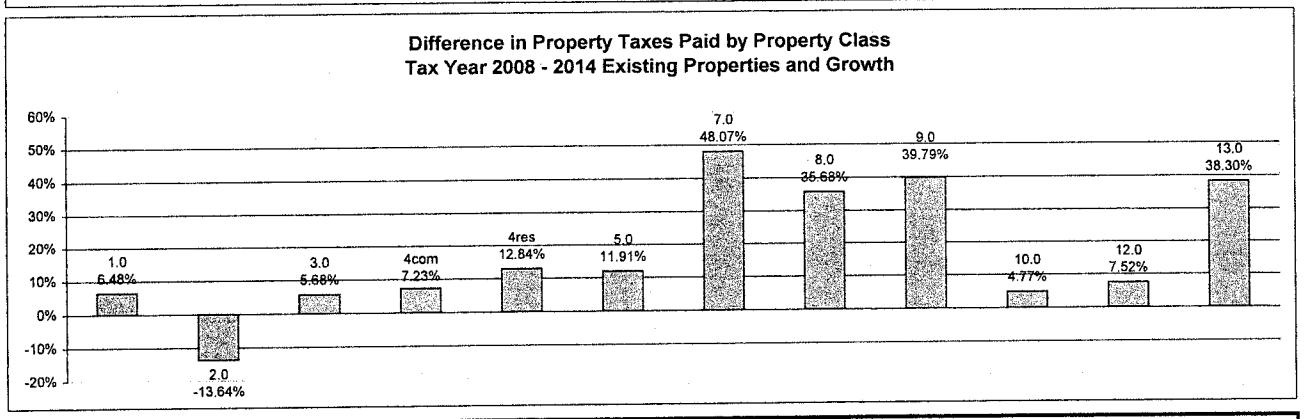






Current Law					
Class 3 Agricultural Tax Rate 3.01%	Class 4 Residential Tax Rate 3.01%	Class 4 Commercial Tax Rate 3.01%	Class 10 Forestland Tax Rate 0.35%	Class 4 Homestead 34.00%	Class 4 Comstead 15.00%
Proposed Mitigation					
Class 3 Agricultural Tax Rate 2.25%	Class 4 Residential Tax Rate 3.01%	Class 4 Commercial Tax Rate 3.01%	Class 10 Forestland Tax Rate 0.23%	Class 4 Homestead 55.74%	Class 4 Comstead 39.72%





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

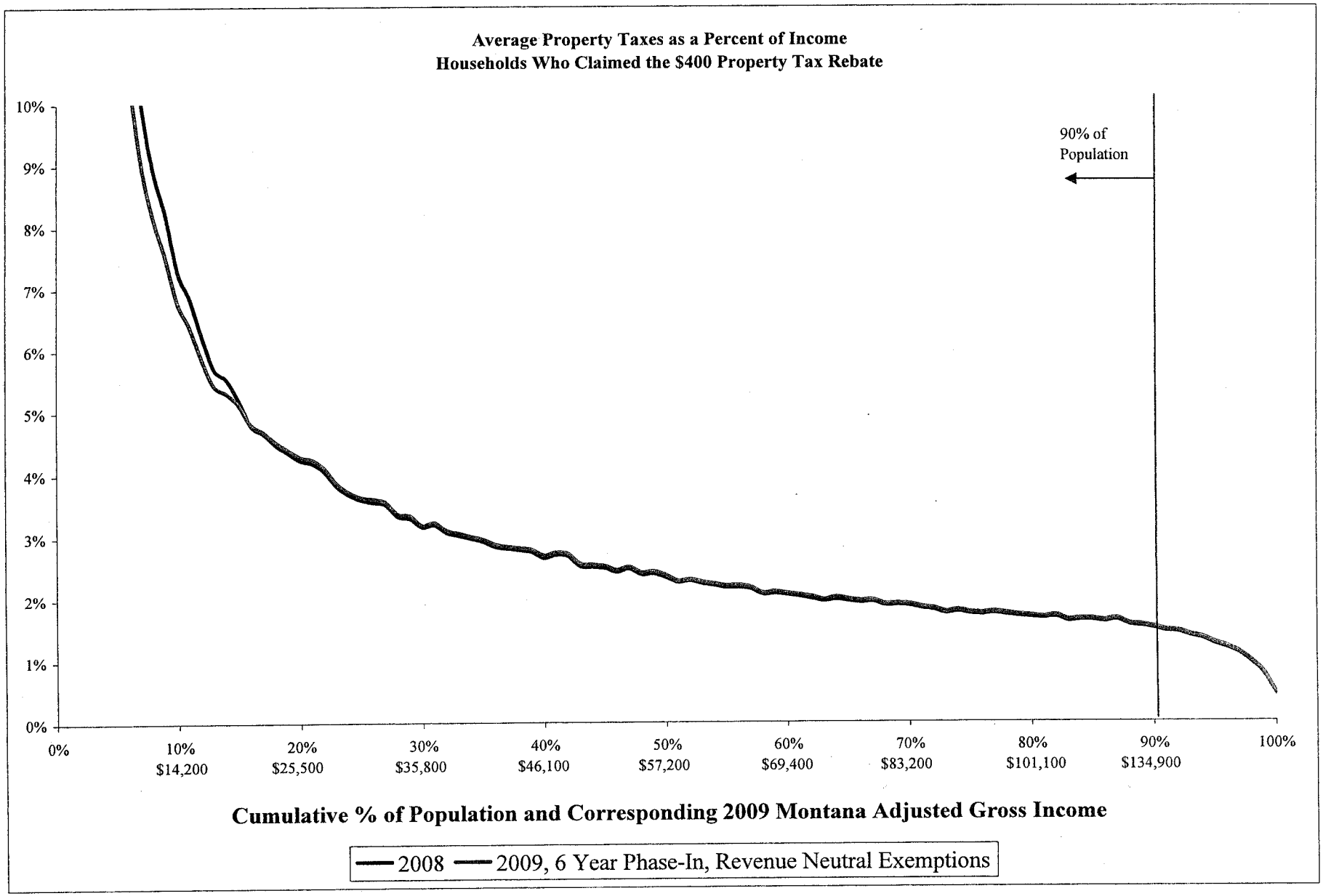
Transfer to Class 4 Residential	$8,866,362
Amount in Circuit Breaker	$0
Transfer to Class 4 Commercial	-$6,161,885
Transfer from All Other Classes	$2,704,476
Total	**$0**

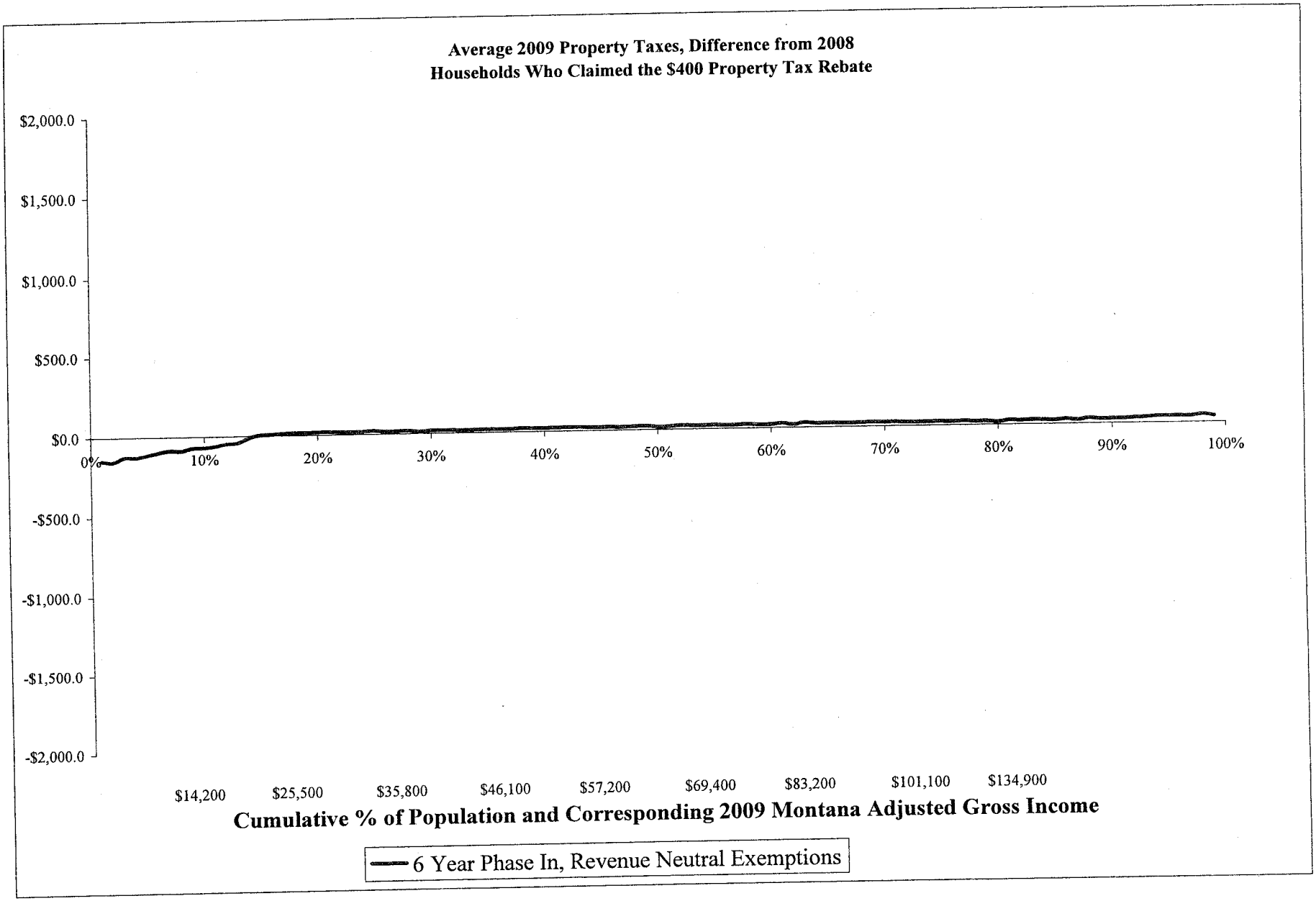
This balance sheet is calculated using the difference between the taxes paid in FY 2008 and the calculated amounts that existing properties will pay when fully phased in. Circuit breakers are included in the calculation, reducing the transfer to Class 4 residential property.

Circuit Breaker
6 Year Phase In, Revenue Neutral Exemptions

Narrow Circuit Breaker with Same Cost as Existing Programs

Credit for Property Tax More Than This Percent of Income		6%
Maximum Credit		$550
Credit Begins to Phase-Out at This Income		$20,000
Credit is Completely Phased-Out at This Income		$20,000
	Number	Amount
Credits to Homeowners	13,544	$5,095,293
Credits to Renters	13,372	$4,858,774
Total	26,916	$9,954,067
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, 6 Year Phase-In, Revenue Neutral 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
6 Year Phase In, Revenue Neutral Exemptions

6 Year Phase In, Taxable Value Neutral 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
2.88%	3.01%	3.01%	0.33%	**37.11%**	23.35%

Assumptions: Homestead Exemption = 37.11% Homestead Exemption in 2009
23.35% Comstead Exemption in 2009

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	$107,333
Homestead	34.00%	37.11%
Amount Exempt	$33,456	$39,831
Taxable Market Value	$64,944	$67,502
Tax Rate	3.01%	3.01%
Taxable Value	$1,955	$2,032
Average Mills	538.19	538.50
Tax Liability	$1,052	$1,094
2009 Income (MAGI)		$65,140
Percent of Income Paid		1.68%
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	$127,237
Homestead	34.00%	37.11%
Amount Exempt	$39,746	$47,218
Taxable Market Value	$77,154	$80,019
Tax Rate	3.01%	3.01%
Taxable Value	$2,322	$2,409
Average Mills	538.19	538.50
Tax Liability	$1,250	$1,297
2009 Income (MAGI)		$74,759
Percent of Income Paid		1.73%
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	$179,808
Homestead	34.00%	37.11%
Amount Exempt	$51,153	$66,727
Taxable Market Value	$99,297	$113,081
Tax Rate	3.01%	3.01%
Taxable Value	$2,989	$3,404
Average Mills	538.19	538.50
Tax Liability	$1,609	$1,833
2009 Income (MAGI)		$59,297
Percent of Income Paid		3.09%
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	$333,333
Homestead	34.00%	37.11%
Amount Exempt	$102,000	$123,700
Taxable Market Value	$198,000	$209,633
Tax Rate	3.01%	3.01%
Taxable Value	$5,960	$6,310
Average Mills	538.19	538.50
Tax Liability	$3,207	$3,398
2009 Income (MAGI)		$200,547
Percent of Income Paid		1.69%
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	$708,333
Homestead	34.00%	37.11%
Amount Exempt	$221,000	$262,863
Taxable Market Value	$429,000	$445,471
Tax Rate	3.01%	3.01%
Taxable Value	$12,913	$13,409
Average Mills	538.19	538.50
Tax Liability	$6,950	$7,221
2009 Income (MAGI)		$477,527
Percent of Income Paid		1.51%
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	$158,333
Homestead	15.00%	23.35%
Amount Exempt	$22,500	$36,971
Taxable Market Value	$127,500	$121,363
Tax Rate	3.01%	3.01%
Taxable Value	$3,838	$3,653
Average Mills	538.19	538.50
Tax Liability	$2,065	$1,967
Class 8		
Market Value	$100,000	$100,000
Taxable Value	$3,000	$3,000
Mills	538.19	538.50
Tax Liability	$1,615	$1,615
Total Tax Liability	$3,680	$3,583

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	$316,667
Homestead	15.00%	23.35%
Amount Exempt	$45,000	$73,942
Taxable Market Value	$255,000	$242,725
Tax Rate	3.01%	3.01%
Taxable Value	$7,676	$7,306
Average Mills	538.19	538.50
Tax Liability	$4,131	$3,934
Class 8		
Market Value	$100,000	$100,000
Taxable Value	$3,000	$3,000
Mills	538.19	538.50
Tax Liability	$1,615	$1,615
Total Tax Liability	$5,745	$5,550