EXHIBIT NO. 13
DATE 2-10-2009
~~BILL NO.~~

Staggered Homestead Exemption with Narrow Circuit Breaker

**Assumptions (as per decision point mapping document)**

Phase In: Immediate Phase In

Class 3 Tax Rate: 2.28%
Class 4 Residential Tax Rate: 3.01%
Class 4 Commercial Tax Rate: 3.01%
Class 10 Tax Rate: 0.28%

Homestead Exemption: 44% first $180,000, 34% second $180,000, 0% over $360,000. A 34% exemption is applied to vacant land.
Comstead Exemption: Phased-in to 17.5%

Keep the statewide mills at their current level of 101 mills by adding a state mill of the difference. The local mills will float down, so the circuit breaker mill will be equal to approximately 26 mills. The additional revenue raised by the new state mills will be used to fund a circuit breaker aimed at mitigating property taxes paid on primary residences and by renters. The limited circuit breaker is aimed at low income, resident taxpayers.

The tax rates are decoupled.

There is a staggered homestead exemption.

Secondary and associated residences are treated the same as primary residences in terms of the homestead. Vacant land receives a 34% exemption. Only property taxes paid on primary residences are eligible for the credit.

The reappraisal cycle is immaterial for this analysis.

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**Standards used by Dept. of Revenue – Tax Policy and Research in Analysis**

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. This would add additional statewide mills to raise revenue for the circuit breaker.

The analysis uses the OBPP growth rates for each class of property to estimate the growth in newly taxable property.

The cost of this mitigation strategy is assumed to be the difference between what class 4 residential property paid in FY 2008 and what they will pay in this mitigation strategy.

The reappraisal impact on class 4 property is calculated with the percentages that comply with the International Association of Assessing Officers standards. All class 4 properties are included in the base, but the percentage change of the outliers is not incorporated into the analysis.

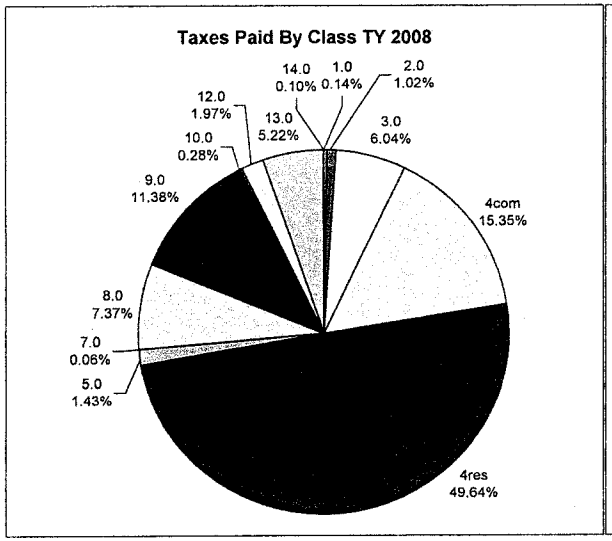
## Staggered Homestead Exemption with Narrow Circuit Breaker

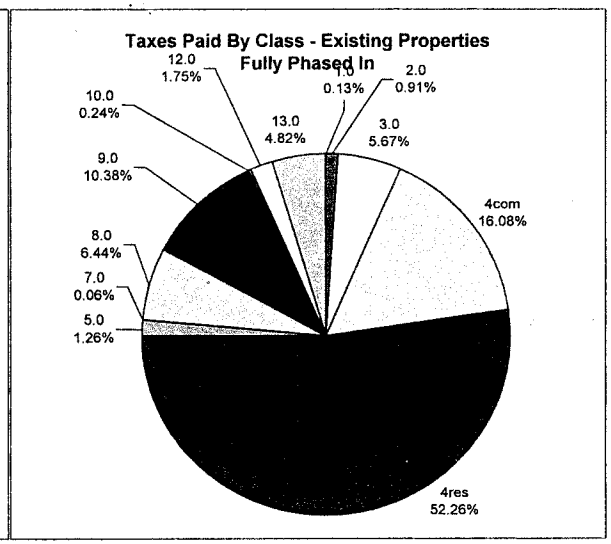
| Current Law | Class 3 Agricultural Tax Rate | Class 4 Residential Tax Rate | Class 4 Commercial Tax Rate | Class 10 Forestland Tax Rate | Class 4 Homestead | Class 4 Comstead |
|---|---|---|---|---|---|---|
| | 3.01% | 3.01% | 3.01% | 0.35% | 34.00% | 15.00% |
| **Proposed Mitigation** | Class 3 Agricultural Tax Rate | Class 4 Residential Tax Rate | Class 4 Commercial Tax Rate | Class 10 Forestland Tax Rate | Class 4 Homestead | Class 4 Comstead |
| | 2.28% | 3.01% | 3.01% | 0.28% | Staggered | 39.72% |

**With Immediate Phase in, Staggered Homestead and Vacant Land at 34% homestead**

| | | TY 2008 | | Fully Phased In - Existing Properties | | | |
|---|---|---|---|---|---|---|---|
| Tax Class | Description | Taxable Value | Taxes Paid | Taxable Value | Net Taxes Paid | % Change in Taxes Paid | $ Change in Taxes Paid |
| 1.0 | Mine Net Proceeds | 4,013,187 | 1,651,471 | 4,013,187 | 1,479,600 | -15.33% | (171,871) |
| 2.0 | Gross Proceeds | 24,540,432 | 11,627,140 | 48,379,008 | 10,560,255 | -13.71% | (1,066,884) |
| 3.0 | Agricultural Land | 142,098,658 | 68,908,193 | 108,511,284 | 65,493,185 | -9.43% | (3,415,007) |
| 4com | Commercial Property | 289,796,019 | 175,206,000 | 289,067,450 | 185,676,795 | 2.47% | 10,470,795 |
| 4res | Residential Property | 1,006,798,601 | 566,619,077 | 871,892,450 | 603,423,913 | 8.18% | 24,804,836 |
| 5.0 | Pollution Control Equipment | 35,154,576 | 16,275,932 | 35,899,806 | 14,533,285 | -15.10% | (1,742,647) |
| 7.0 | Non-Centrally Assessed Utilities | 1,214,360 | 734,443 | 1,244,355 | 653,488 | -14.22% | (80,955) |
| 8.0 | Business Personal Property | 163,140,404 | 84,149,499 | 171,248,482 | 74,348,055 | -15.54% | (9,801,444) |
| 9.0 | Non-Electrical Generating Property of Electrical Utilities | 263,086,175 | 129,940,878 | 277,976,853 | 119,879,687 | -11.99% | (10,061,191) |
| 10.0 | Forestland | 6,815,620 | 3,241,315 | 4,882,329 | 2,766,682 | -18.35% | (474,633) |
| 12.0 | Railroad and Airline Property | 43,567,384 | 22,475,586 | 43,615,302 | 20,149,678 | -14.15% | (2,325,908) |
| 13.0 | Telecommunications & Electric Property | 154,611,156 | 59,531,164 | 162,403,558 | 55,708,240 | -12.25% | (3,822,924) |
| 14.0 | Commercial Wind Generation Facilities | 2,943,785 | 1,175,095 | 3,179,877 | 1,192,745 | -4.78% | 17,649 |
| **Total** | | 2,137,780,357 | 1,141,535,793 | 2,022,313,940 | 1,215,684,439 | 6.50% | 74,148,646 |

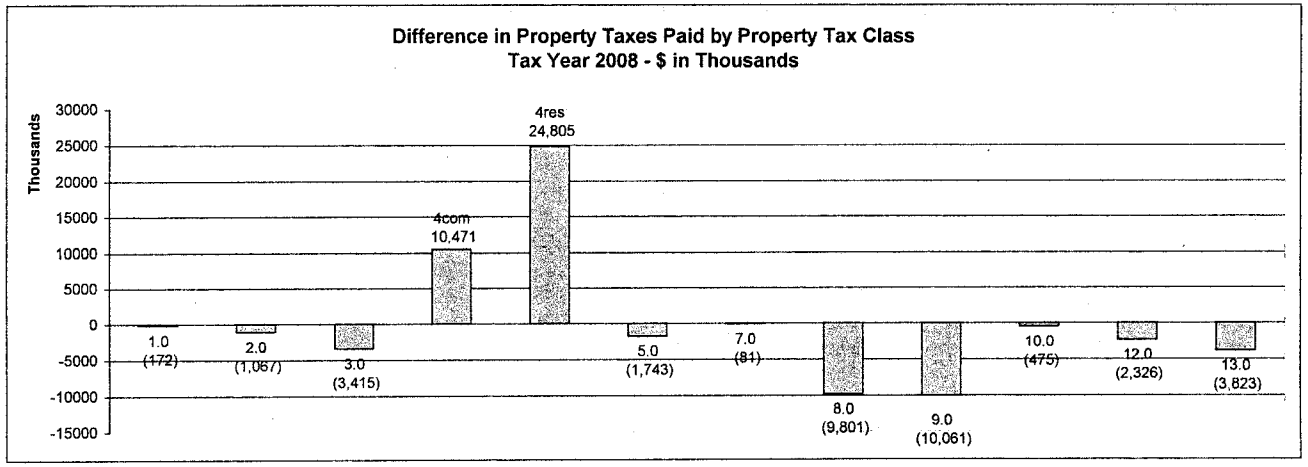
*Growth includes both new property and the inflation growth allowed by 15-10-420, MCA



| 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 2.28% | Class 4 Residential Tax Rate 3.01% | Class 4 Commercial Tax Rate 3.01% | Class 10 Forestland Tax Rate 0.28% | Class 4 Homestead Staggered | 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 | $36,804,836 |
| Amount in Circuit Breaker | -$71,435,900 |
| Transfer to Class 4 Commercial | $10,470,795 |
| Transfer from All Other Classes | $32,945,816 |
| **Total** | **$85,765,715** |

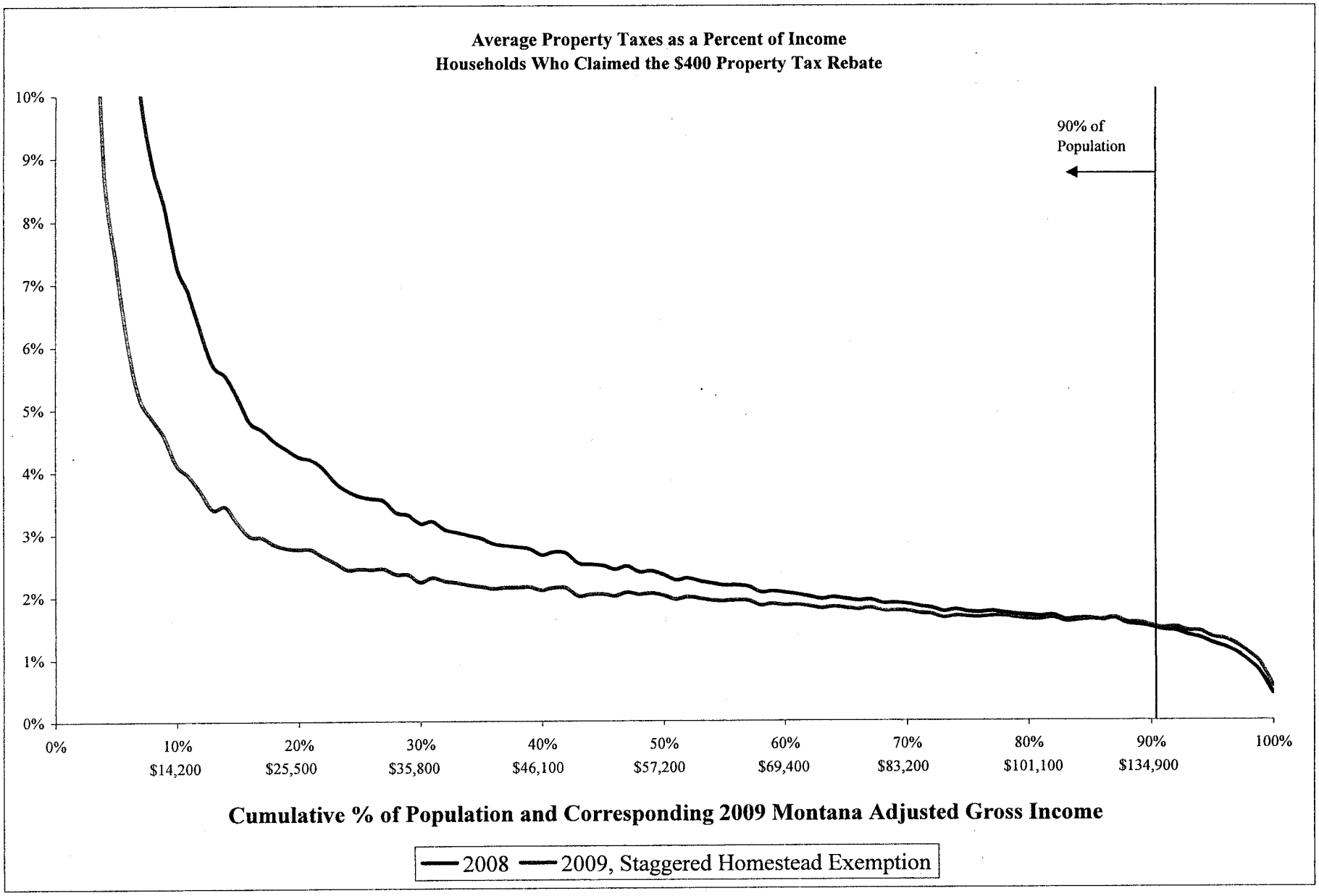
This balance sheet is calculated using the difference between the taxes paid in FY 2008 and the calculated amounts that existing properties will pay when fully phased in. Circuit breakers are included in the calculation, reducing the transfer to Class 4 residential property.

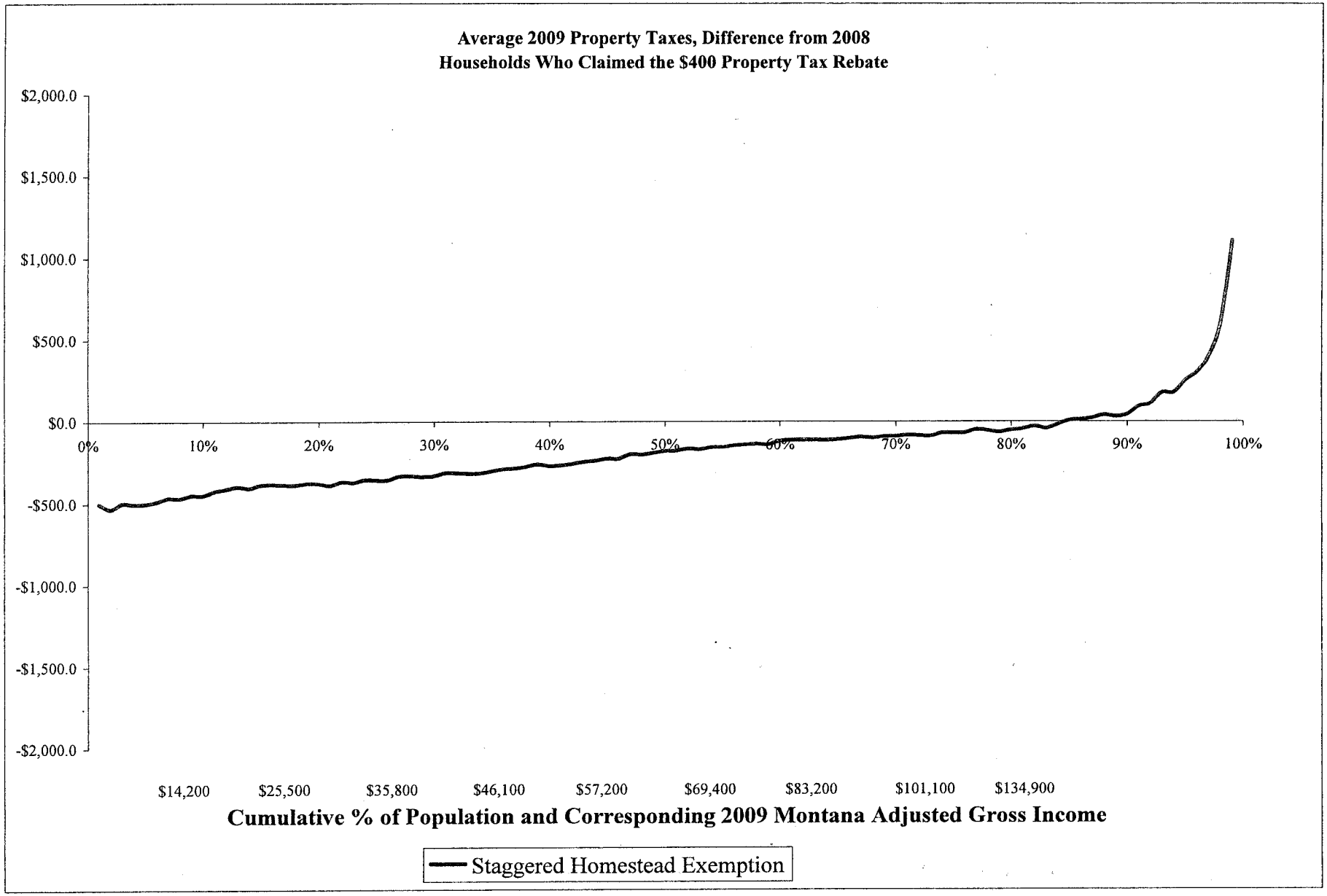
Staggered Exemption, Narrow Circuit Breaker

**Circuit Breaker**
**Staggered Homestead Exemptions**

Circuit Breaker For As Many As Possible

| | | |
|---|---|---|
| Credit for Property Tax More Than This Percent of Income | | 2% |
| Maximum Credit | | $1,000 |
| Credit Begins to Phase-Out at This Income | | $50,000 |
| Credit is Completely Phased-Out at This Income | | $150,000 |
| | Number | Amount |
| Credits to Homeowners | 97,320 | $58,436,174 |
| Credits to Renters | 40,849 | $22,498,032 |
| Total | 138,168 | $80,934,206 |
| Additional Mills to Fund Circuit Breaker | | 27.00 |


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, Staggered Homestead Exemption


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
Staggered Homestead Exemption