Exhibit No. 2
Date 3-12-09
Bill No.

Capped Homestead Exemption with 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: 3.00%
Class 4 Commercial Tax Rate: 3.00%
Class 10 Tax Rate: 0.28%

Homestead Exemption: 50% homestead exemption with a $225,000 cap. (Residential properties above $450,000 in value all receive a $225,000 exemption.) Class 4 land that does not have a residential dwelling or commercial improvement does not receive a homestead exemption.

Comstead Exemption: 39.7%

To achieve greater revenue neutrality among the property classes and to partially fund the circuit breaker, statewide mills increase by 20 mills above the current 101 mills level. The local mills will float down, so the statewide consolidated mills equal 497.12, lower than the TY 2008 of 538.12. The circuit breaker is 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.

The homestead exemption is capped at $225,000.

Secondary and associated residences are treated the same as primary residences in terms of the homestead. Vacant land does not receive an exemption. Only property taxes paid on primary residences by homeowners and renters are eligible for the credit.

The reappraisal cycle is immaterial for this analysis.

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

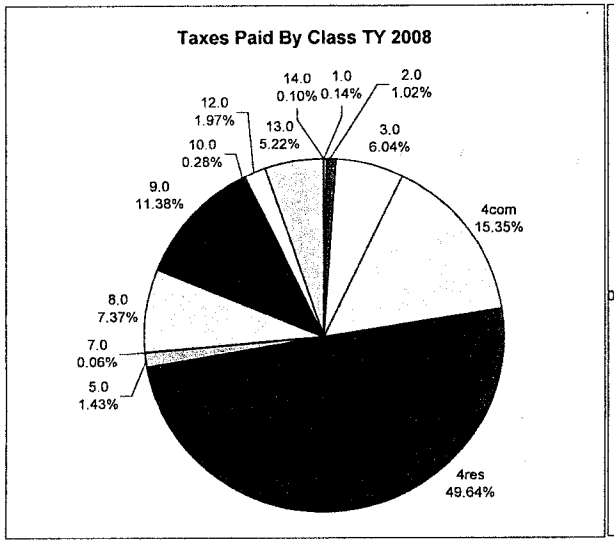
Capped Homestead Exemption with Circuit Breaker

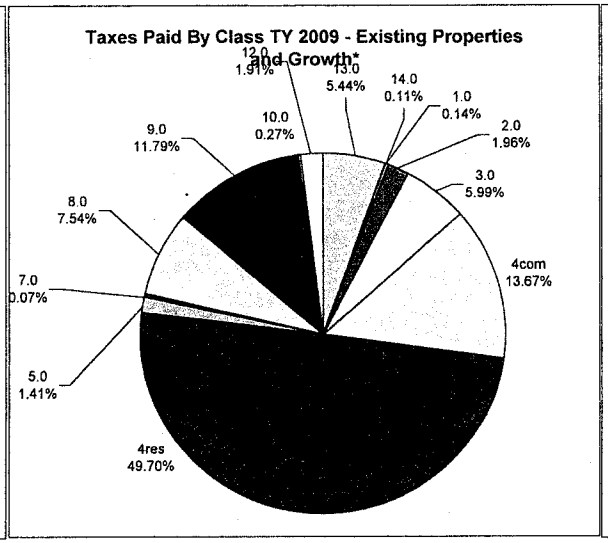
Current Law	Class 3 Agricultural Tax Rate	Class 4 Residential Tax Rate	Class 4 Commercial Tax Rate	Class 10 Forestland Tax Rate	Class 4 Homestead	Class 4 Comstead
	3.01%	3.01%	3.01%	0.35%	34.00%	15.00%

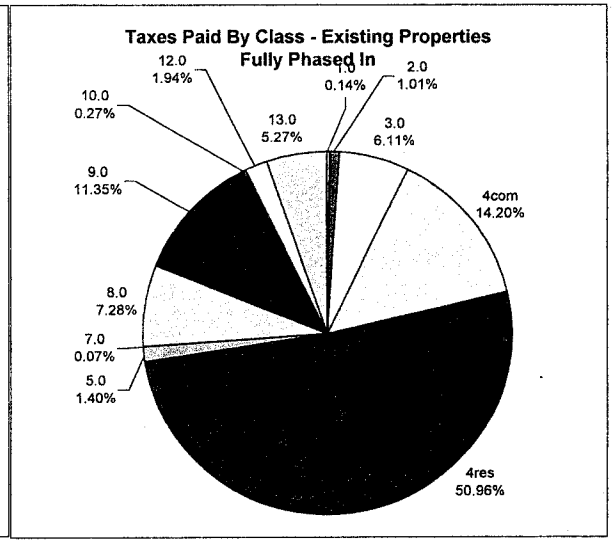
Proposed Mitigation	Class 3 Agricultural Tax Rate	Class 4 Residential Tax Rate	Class 4 Commercial Tax Rate	Class 10 Forestland Tax Rate	Class 4 Homestead	Class 4 Comstead
	2.28%	3.00%	3.00%	0.28%	50% & cap	39.72%

		TY 2008		Fully Phased In				Tax Year 2009 With Growth			
Tax Class	Description	Taxable Value	Taxes Paid	Taxable Value	Net Taxes Paid	% Change in Taxes Paid	$ Change in Taxes Paid	Taxable Value	Net 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	1,604,296	-2.86%	(47,175)	4,013,187	1,617,797	-2.04%	(33,674)
2.0	Gross Proceeds	24,540,432	11,627,140	24,540,432	11,300,181	-2.81%	(326,959)	48,379,008	22,520,296	93.69%	10,893,156
3.0	Agricultural Land	142,098,658	68,908,193	144,186,193	68,391,863	-0.75%	(516,329)	144,186,193	68,939,766	0.05%	31,574
4com	Commercial Property	289,796,019	175,206,000	293,198,380	159,014,658	-9.24%	(16,191,342)	286,554,692	157,303,823	-10.22%	(17,902,177)
4res	Residential Property	1,006,798,601	566,619,077	1,342,415,655	570,793,828	0.74%	4,174,751	1,398,020,685	571,758,898	0.91%	5,139,820
5.0	Pollution Control Equipment	35,154,576	16,275,932	35,154,576	15,700,511	-3.54%	(575,420)	35,899,806	16,195,509	-0.49%	(80,423)
7.0	Non-Centrally Assessed Utilities	1,214,360	734,443	1,214,360	763,052	3.90%	28,609	1,244,355	800,519	9.00%	66,077
8.0	Business Personal Property	163,140,404	84,149,499	163,140,404	81,552,180	-3.09%	(2,597,319)	171,248,482	86,716,094	3.05%	2,566,595
9.0	Non-Electrical Generating Property of Electrical Utilities	263,086,175	129,940,878	263,086,175	127,163,160	-2.14%	(2,777,718)	277,976,853	135,676,726	4.41%	5,735,847
10.0	Forestland	6,815,620	3,241,315	6,899,675	3,063,532	-5.48%	(177,784)	6,899,675	3,089,420	-4.69%	(151,895)
12.0	Railroad and Airline Property	43,567,384	22,475,586	43,567,384	21,735,923	-3.29%	(739,663)	43,615,302	21,986,575	-2.18%	(489,011)
13.0	Telecommunications & Electric Property	154,611,156	59,531,164	154,611,156	58,989,600	-0.91%	(541,564)	162,403,558	62,572,392	5.11%	3,041,228
14.0	Commercial Wind Generation Facilities	2,943,785	1,175,095	2,943,785	1,199,607	2.09%	24,512	3,179,877	1,304,922	11.05%	129,827
Total		2,137,780,357	1,141,535,793	2,478,971,362	1,121,272,392	-1.78%	(20,263,401)	2,583,621,673	1,150,482,736	0.78%	8,946,943

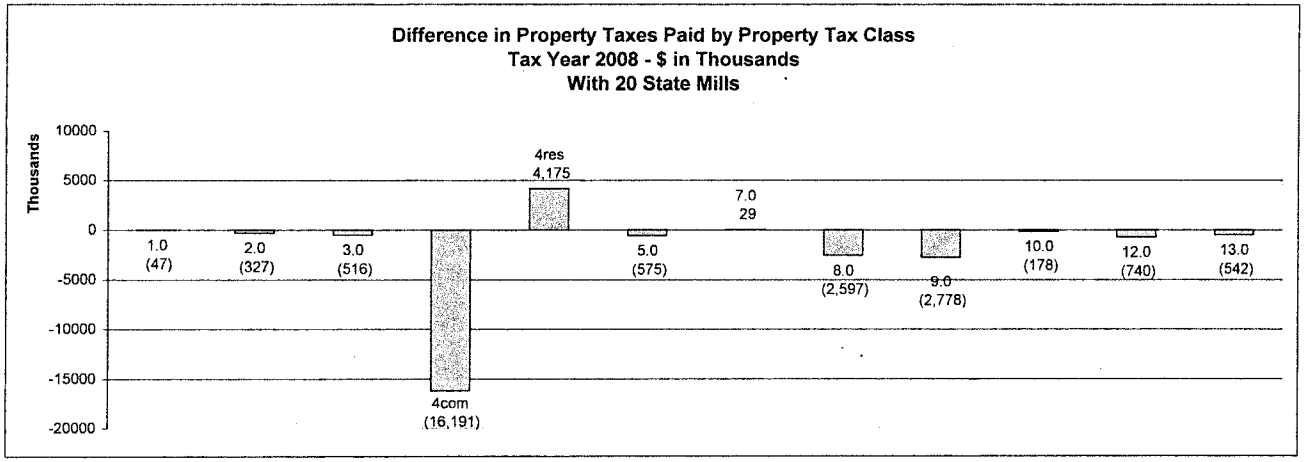
*Growth includes both new property and the inflation growth allowed by 15-10-420, MCA

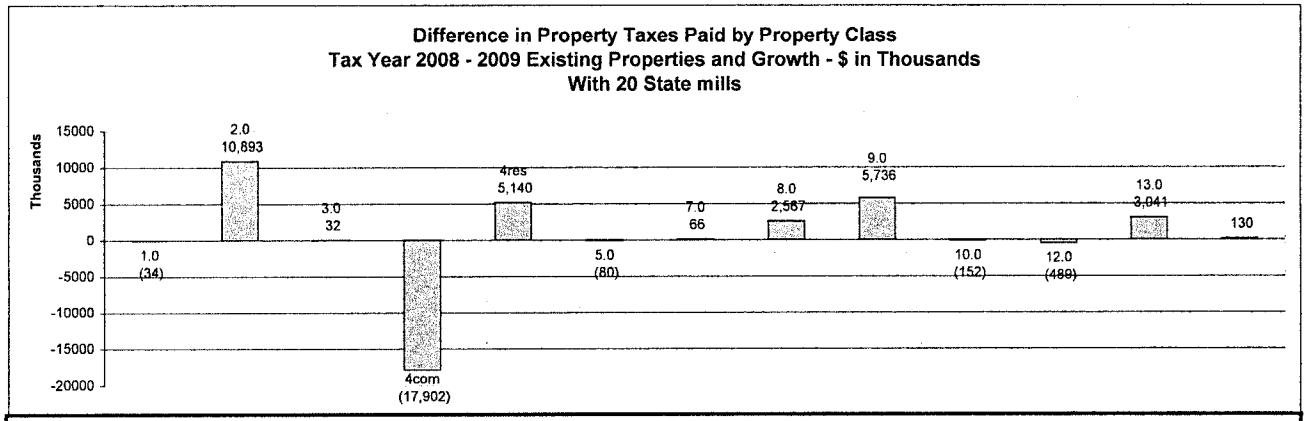






Current Law					
Class 3 Agricultural Tax Rate 3.01%	Class 4 Residential Tax Rate 3.01%	Class 4 Commercial Tax Rate 3.01%	Class 10 Forestland Tax Rate 0.35%	Class 4 Homestead 34.00%	Class 4 Comstead 15.00%
Proposed Mitigation					
Class 3 Agricultural Tax Rate 2.28%	Class 4 Residential Tax Rate 3.00%	Class 4 Commercial Tax Rate 3.00%	Class 10 Forestland Tax Rate 0.28%	Class 4 Homestead 50% & cap	Class 4 Comstead 39.72%





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

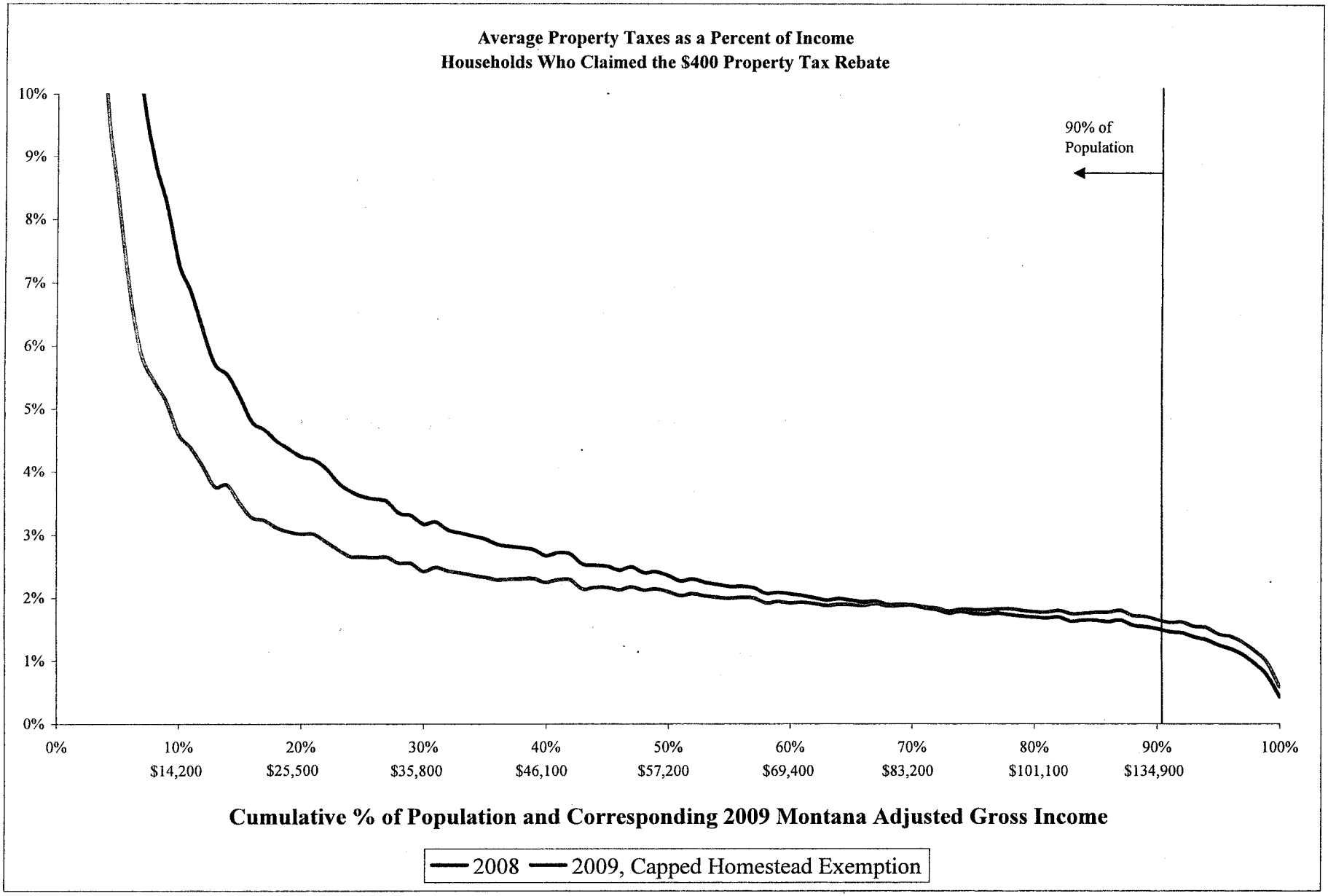
Transfer to Class 4 Residential	$4,174,751
Amount in Circuit Breaker	$83,244,805
Transfer to Class 4 Commercial	-$16,191,342
Transfer from All Other Classes	-$8,271,322
Total	**-$3,745,269**

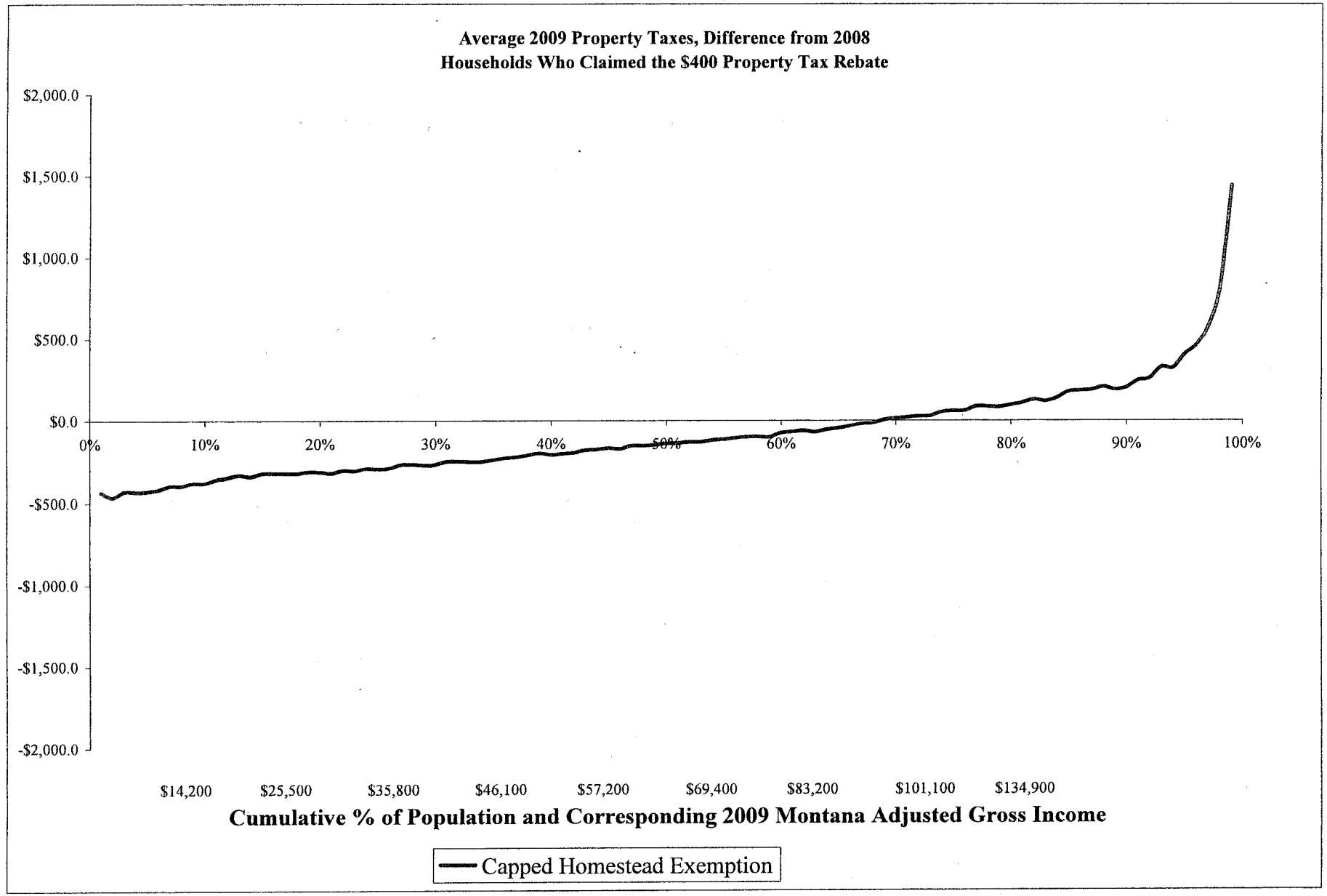
This balance sheet is calculated using the difference between the taxes paid in FY 2008 and the calculated amounts that existing properties will pay when fully phased in. Circuit breakers are included in the calculation, reducing the transfer to Class 4 residential property.

Capped Exemption with a Circuit Breaker

Circuit Breaker
Capped Homestead Exemptions

Credit for Property Tax More Than This Percent of Income		2.3%
Maximum Credit		$1,000
Credit Begins to Phase-Out at This Income		$75,000
Credit is Completely Phased-Out at This Income		$120,000
	Number	Amount
Credits to Homeowners	102,382	$58,362,648
Credits to Renters	46,488	$24,882,157
Total	148,870	$83,244,805
Additional Mills to Fund Circuit Breaker		20.00


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, Capped 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
Capped Homestead Exemption

Capped Homestead Exemption with Circuit Breaker

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
2.28%	3.00%	3.00%	0.28%	**Capped**	39.70%

Assumptions: Homestead Exemption.= 45% with a cap of $225,000
17.5% Comestead 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%	Capped
Amount Exempt	$33,456	$76,000
Taxable Market Value	$64,944	$76,000
Tax Rate	3.01%	3.00%
Taxable Value	$1,955	$2,280
Average Mills	538.19	497.21
Tax Liability	$1,052	$1,134
2009 Income (MAGI)		$65,140
Percent of Income Paid		1.74%
Credit Amount		$0
Net Tax Liability		**$1,134**

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%	Capped
Amount Exempt	$39,746	$89,460
Taxable Market Value	$77,154	$89,460
Tax Rate	3.01%	3.00%
Taxable Value	$2,322	$2,684
Average Mills	538.19	497.21
Tax Liability	$1,250	$1,334
2009 Income (MAGI)		$74,759
Percent of Income Paid		1.78%
Credit Amount		$0
Net Tax Liability		**$1,334**

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%	Capped
Amount Exempt	$51,153	$163,300
Taxable Market Value	$99,297	$163,300
Tax Rate	3.01%	3.00%
Taxable Value	$2,989	$4,899
Average Mills	538.19	497.21
Tax Liability	$1,609	$2,436
2009 Income (MAGI)		$59,297
Percent of Income Paid		4.11%
Credit Amount		$1,000
Net Tax Liability		**$1,436**

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%	Capped
Amount Exempt	$102,000	$225,000
Taxable Market Value	$198,000	$275,000
Tax Rate	3.01%	3.00%
Taxable Value	$5,960	$8,250
Average Mills	538.19	497.21
Tax Liability	$3,207	$4,102
2009 Income (MAGI)		$200,547
Percent of Income Paid		2.05%
Credit Amount		$0
Net Tax Liability		**$4,102**

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%	Capped
Amount Exempt	$221,000	$225,000
Taxable Market Value	$429,000	$775,000
Tax Rate	3.01%	3.00%
Taxable Value	$12,913	$23,250
Average Mills	538.19	497.21
Tax Liability	$6,950	$11,560
2009 Income (MAGI)		$477,527
Percent of Income Paid		2.42%
Credit Amount		$0
Net Tax Liability		**$11,560**

Example of the TY 2009 Median Value Home, 2008 Median Income from Biennial Report		
MV Before Reappraisal	$98,400	
MV After Reappraisal	$152,000	
Tax Year	**2008**	**2009**
Market Value	$98,400	$152,000
Homestead	34.00%	Capped
Amount Exempt	$33,456	$76,000
Taxable Market Value	$64,944	$76,000
Tax Rate	3.01%	3.00%
Taxable Value	$1,955	$2,280
Average Mills	538.19	497.21
Tax Liability	$1,052	$1,134
2009 Income (MAGI)		$23,959
Percent of Income Paid		4.73%
Credit Amount		$583
Net Tax Liability		**$551**

Example of a TY 2009 $125,000 Home, making 1/3 of the Median Income of All Homeowners		
MV Before Reappraisal	$75,000	
MV After Reappraisal	$125,000	
Tax Year	**2008**	**2009**
Market Value	$75,000	$125,000
Homestead	34.00%	Capped
Amount Exempt	$25,500	$62,500
Taxable Market Value	$49,500	$62,500
Tax Rate	3.01%	3.00%
Taxable Value	$1,490	$1,875
Average Mills	538.19	497.21
Tax Liability	$802	$932
2009 Income (MAGI)		$21,496
Percent of Income Paid		4.34%
Credit Amount		$438
Net Tax Liability		**$494**

Example of Mobile Home		
MV Before Reappraisal	$60,000	
MV After Reappraisal	$75,000	
Tax Year	**2008**	**2009**
Market Value	$60,000	$75,000
Homestead	34.00%	Capped
Amount Exempt	$20,400	$37,500
Taxable Market Value	$39,600	$37,500
Tax Rate	3.01%	3.00%
Taxable Value	$1,192	$1,125
Average Mills	538.19	497.21
Tax Liability	$641	$559
2009 Income (MAGI)		$22,799
Percent of Income Paid		2.45%
Credit Amount		$35
Net Tax Liability		**$524**

Capped Exemption with a Circuit Breaker

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%	39.70%
Amount Exempt	$22,500	$79,400
Taxable Market Value	$127,500	$120,600
Tax Rate	3.01%	3.00%
Taxable Value	$3,838	$3,618
Average Mills	538.19	497.21
Tax Liability	$2,065	$1,799
Class 8		
Market Value	$100,000	$100,000
Taxable Value	$3,000	$3,000
Mills	538.19	497.21
Tax Liability	$1,615	$1,492
Total Tax Liability	$3,680	$3,291

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%	39.70%
Amount Exempt	$45,000	$158,800
Taxable Market Value	$255,000	$241,200
Tax Rate	3.01%	3.00%
Taxable Value	$7,676	$7,236
Average Mills	538.19	497.21
Tax Liability	$4,131	$3,598
Class 8		
Market Value	$100,000	$100,000
Taxable Value	$3,000	$3,000
Mills	538.19	497.21
Tax Liability	$1,615	$1,492
Total Tax Liability	$5,745	$5,089