

NORTHERN FUNDS

# TAX FACTS

2008

Northern Funds Tax Facts provides specific information about your Northern Funds investment income and capital gain distributions for 2008. Please refer to the Northern Funds Tax Guide for explanations about your Northern Funds tax forms and other important instructions related to your tax filings. If you have any questions about how to apply this information to your income tax returns, please consult a tax advisor. For questions about the data provided or about your Northern Funds accounts, please call **800-595-9111**.

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## LONG-TERM CAPITAL GAIN DISTRIBUTIONS

Listed in the table below are the long-term capital gain distributions per share made by each equity and fixed income fund, as applicable. For more information about capital gain distributions, see the 2008 Northern Funds Tax Guide or visit [northernfunds.com](http://northernfunds.com).

NORTHERN FUNDS	CAPITAL GAINS
U.S. GOVERNMENT	0.005266
SHORT INTERMEDIATE BOND	0.003653
INTERNATIONAL GROWTH	0.532319
MID CAP INDEX	0.326819
SMALL CAP INDEX	0.734895
EMERGING MARKETS EQUITY	0.110421
MULTI MANAGER INTERNATIONAL EQUITY	0.097541
MULTI MANAGER MID CAP	0.047035
MULTI MANAGER SMALL CAP	0.000020
GLOBAL SUSTAINABILITY INDEX	0.000049

## CAPITAL GAIN INFORMATION FOR RESIDENTS OF RHODE ISLAND

For Rhode Island residents, the following chart shows the percentage of capital gain distributions for assets held one to five years and five years or more. This information may be necessary to prepare your Rhode Island state tax filings.

NORTHERN FUNDS	ASSETS HELD MORE THAN 1 YEAR AND UP TO 5 YEARS	ASSETS HELD MORE THAN 5 YEARS
EMERGING MARKETS	100%	0%
GLOBAL SUSTAINABILITY INDEX	100%	0%
INTERNATIONAL GROWTH	100%	0%
MID CAP INDEX	100%	0%
MULTI-MANAGER INTERNATIONAL EQUITY INDEX	100%	0%
MULTI-MANAGER MID CAP	100%	0%
MULTI-MANAGER SMALL CAP	100%	0%
SHORT-INTERMEDIATE U.S. GOVERNMENT BOND	100%	0%
SMALL CAP INDEX	75%	25%
U.S. GOVERNMENT	100%	0%

## PERCENTAGE OF EXEMPT INTEREST DIVIDENDS

The amount of dividends paid that are excludable from gross income for federal income tax purposes is now reported on Form 1099-INT, Box 8. Please refer to your Northern Funds Tax Guide for more information about Form 1099-INT.

## DIRECT U.S. GOVERNMENT & AGENCY OBLIGATIONS

### Percentage of dividends from direct U.S. Government and Agency Obligations

In some states, mutual fund dividends derived from certain direct U.S. government and agency obligations may be exempt from state income taxes. A portion of the dividend income paid by Northern Funds during 2008 may qualify for this exemption. The table below shows the percentage of dividends (the amount reported in column 1a of Form 1099-DIV) attributable to direct U.S. government and agency obligations for each of the Northern Funds during 2008.

NORTHERN FUNDS	U.S. GOV'T	FEDERAL FARM CREDIT BANK	FEDERAL HOME LOAN BANK	STUDENT LOAN MARKETING ASSN.	TENNESSEE VALLEY AUTHORITY
<b>MONEY MARKET FUNDS</b>					
CA MUNICIPAL	—	—	100%	—	—
MONEY MARKET	4%	—	6%	—	—
MUNICIPAL	—	—	100%	—	—
U.S. GOVERNMENT	3%	5%	26%	—	—
U.S. GOVERNMENT SELECT	3%	10%	86%	—	1%
<b>FIXED INCOME FUNDS</b>					
AZ TAX EXEMPT	—	—	—	—	—
BOND INDEX	21%	—	5%	—	—
CA INTERMEDIATE TAX EXEMPT	—	—	—	—	—
CA TAX-EXEMPT	—	—	—	—	—
FIXED INCOME	17%	—	5%	—	—
GLOBAL FIXED INCOME	23%	—	—	—	—
HIGH YIELD FIXED INCOME	—	—	—	—	—
HIGH YIELD MUNICIPAL	—	—	—	—	—
INTERMEDIATE TAX-EXEMPT	—	—	—	—	—
SHORT INTERMEDIATE TAX-EXEMPT	—	—	—	—	—
SHORT INTERMEDIATE U.S. GOVERNMENT	34%	1%	13%	—	—
TAX-EXEMPT	—	—	—	—	—
U.S. GOVERNMENT SECURITIES	44%	3%	9%	—	—
<b>EQUITY FUNDS</b>					
EMERGING MARKETS	—	—	—	—	—
ENHANCED LARGE CAP	0.32%	—	—	—	—
GLOBAL SUSTAINABILITY	—	—	—	—	—
GROWTH EQUITY	—	—	—	—	—
INCOME EQUITY	—	—	—	—	—
INTERNATIONAL EQUITY INDEX	—	—	—	—	—
INTERNATIONAL GROWTH EQUITY	—	—	—	—	—
LARGE CAP VALUE	—	—	—	—	—
MID CAP GROWTH	—	—	—	—	—
MID CAP INDEX	0.23%	—	—	—	—
MULTI-MANAGER INT'L EQUITY	—	—	—	—	—
MULTI-MANAGER LARGE CAP	0.31%	—	—	—	—
MULTI-MANAGER MID CAP	0.21%	—	—	—	—
MULTI-MANAGER SMALL CAP	0.39%	—	—	—	—
SELECT EQUITY	—	—	—	—	—
SMALL CAP GROWTH	—	—	—	—	—
SMALL CAP INDEX	0.35%	—	—	—	—
SMALL CAP VALUE	0.44%	—	—	—	—
STOCK INDEX	0.23%	—	—	—	—
TECHNOLOGY	—	—	—	—	—



## PERCENTAGE OF QDI AND DRD

### Income & Capital Gain Distributions

For the 2008 calendar year, 100% of the dividends paid by the fixed income funds is taxable as ordinary income for federal income tax purposes. Listed in this table are the percentages of ordinary income distributed by the equity funds, as applicable, that can be treated as Qualified Dividend Income (QDI).

### Percentage of Dividends Eligible for the Corporate Dividends Received Deduction

Mutual fund dividends derived from certain domestic corporations may be eligible for the dividends received deduction (DRD) for corporations. A portion of the ordinary income dividend paid in 2008 by the funds listed below may qualify for this deduction. The table below shows the portion of the ordinary dividends attributable to such domestic corporations for each of the Funds for 2008.

NORTHERN FUNDS	% QDI	% DRD
EMERGING MARKETS	45.79%	—
ENHANCED LARGE CAP VALUE	89.68%	92.50%
GLOBAL SUSTAINABILITY	38.88%	—
GROWTH EQUITY	100.00%	97.10%
INCOME EQUITY	68.97%	65.37%
INTERNATIONAL EQUITY INDEX	93.18%	—
INTERNATIONAL GROWTH EQUITY	100.00%	—
LARGE CAP VALUE	100.00%	95.64%
MID CAP INDEX	58.32%	68.72%
MULTI-MANAGER INT'L EQUITY INDEX	83.61%	—
MULTI-MANAGER LARGE CAP	87.35%	87.98%
MULTI-MANAGER MID CAP	79.24%	71.49%
SELECT EQUITY	84.48%	86.14%
SMALL CAP INDEX	64.20%	86.76%
SMALL CAP VALUE	68.97%	85.49%
STOCK INDEX	93.79%	96.87%

## ALTERNATIVE MINIMUM TAX

The Tax Reform Act of 1986 requires that interest income from certain municipal obligations called "private activity bonds" be included as a tax preference item for the Alternative Minimum Tax (AMT) computation on your federal tax return. Form 1099-INT (Box 9) reports the tax-exempt income that is subject to AMT. The following table reports the percentage of the fund's distributions that are subject to the AMT. You may want to consult with a professional tax advisor to determine your exposure to the AMT.

MONEY MARKET FUNDS	% AMT
ARIZONA TAX-EXEMPT	1.43%
CALIFORNIA INTERMEDIATE TAX-EXEMPT	0%
CALIFORNIA MUNICIPAL MONEY MARKET	0%
CALIFORNIA TAX-EXEMPT	0%
HIGH YIELD MUNICIPAL	11.14%
INTERMEDIATE TAX-EXEMPT	0%
MUNICIPAL MONEY MARKET	0.08%
SHORT INTERMEDIATE TAX-EXEMPT	0%
TAX-EXEMPT	7.6%

## FOREIGN TAXES

To avoid double taxation, you are entitled to claim a foreign tax credit or take an itemized deduction, as applicable, on your federal income tax return for the foreign taxes paid by the Emerging Markets Equity, Global Real Estate Index\*, Global Sustainability, International Equity Index, International Growth Equity, Multi-Manager Emerging Markets Equity, Multi-Manager Global Real Estate\* and Multi-Manager International Equity Funds during 2008. Generally, you will owe less federal income tax if you claim the foreign tax credit by filing IRS Form 1116. (For corporations, use Form 1118.)

### Determining Your Credits & Deductions

**Qualifying Foreign Taxes Paid:** Multiply the "Foreign Tax Factor" in the table below by the amount in box 6 of your Form 1099-DIV. This result is your qualifying foreign taxes paid used in Part II of Form 1116.

**Gross Income from Sources Outside the U.S.:** Multiply the "Foreign Source Income Factor" in the table below by the amount in box 1a of your Form 1099-DIV. This result is your gross income from sources outside the U.S. used in Part I of Form 1116.

For additional information, refer to IRS Publication 514, Foreign Tax Credit for Individuals, or call the Foreign Tax Credit Department of the IRS at 800-829-1040.

NORTHERN FUNDS	FOREIGN TAX PAID	FOREIGN SOURCE INCOME
EMERGING MARKETS EQUITY	1.0000	1.953646
GLOBAL SUSTAINABILITY INDEX	1.0000	1.024758
INTERNATIONAL EQUITY INDEX	1.0000	1.203505
INTERNATIONAL GROWTH EQUITY	1.0000	1.639528
MULTI-MANAGER INTERNATIONAL EQUITY	1.0000	2.635092

\*If you are an investor in the Global Real Estate Index Fund or the Multi-Manager Global Real Estate Fund, your Form 1099-DIV which will be used to report your Foreign Income Tax Credit, will be sent separately.



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