TAX FACTS NORTHERN FUNDS

2016

Northern Funds Tax Facts provides specific information about your Northern Funds investment income and capital gain distributions for 2016. 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.





NORTHERN

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-DIV (box 11) 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.

TAX-EXEMPT FUNDS	% AMT
Arizona Tax-Exempt	1.67%
California Intermediate Tax-Exempt	1.96%
California Municipal Money Market	5.61%
California Tax-Exempt	0.19%
High Yield Municipal	2.48%
Intermediate Tax-Exempt	1.89%
Municipal Money Market	3.10%
Short-Intermediate Tax-Exempt	-
Tax-Advantaged Ultra-Short Fixed Income	13.24%
Tax-Exempt	1.64%

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 Index, Global Real Estate Index*, International Equity, International Equity Index, Active M Emerging Markets Equity, Multi-Manager Global Real Estate*, Multi-Manager Global Listed Infrastructure and Active M International Equity Funds during 2016. 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: Form 1099-DIV (box 6) reports the foreign taxes paid. This 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 Source Income
Active M Emerging Markets Equity (formerly known as Multi-Manager Emerging Markets Equity)	100.00
Active M International Equity (formerly known as Multi-Manager International Equity)	100.00
Emerging Markets Equity Index	100.00
International Equity	100.00
International Equity Index	100.00
Multi-Manager Global Listed Infrastructure	60.62

* 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.

PERCENTAGE OF EXEMPT-INTEREST DIVIDENDS

The amount of dividends paid that may be excluded from gross income for federal income tax purposes is reported on Form 1099-DIV (box 10). Please refer to the Northern Funds Tax Guide for more information about Form 1099-DIV.

PERCENTAGE OF QDI AND DRD

Income & Capital Gain Distributions

For the 2016 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 annualized percentages of ordinary income distributed (dividend income plus short-term gain) by the equity funds, as applicable, that can be treated as Qualified Dividend Income (QDI). For monthly, quarterly or annual information (as applicable) please see the 2016 Qualified Dividend Income information on **northernfunds.com/tax-center**.

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 distribution (dividend income plus short-term gain) paid in 2016 by the Funds listed below may qualify for this deduction. The table below shows the portion of annualized ordinary income distribution (dividend income plus short-term gain) attributable to such domestic corporations for each of the Funds for 2016. For monthly, quarterly or annual information (as applicable) please see the 2016 Corporate Dividends Received Deduction information on **northernfunds.com/tax-center**.

NORTHERN FUNDS	% QDI	% DRD
Active M Emerging Markets Equity (formerly known as Multi-Manager Emerging Markets Equity)	100.00%	_
Active M International Equity (formerly known as Multi-Manager International Equity)	100.00%	1.30%
Active M U.S. Equity	100.00%	100.00%
Emerging Markets Equity Index	67.61%	0.02%
Global Sustainability Index	94.77%	43.10%
Global Tactical Asset Allocation	51.70%	24.94%
Income Equity	100.00%	100.00%
International Equity	100.00%	2.49%
International Equity Index	100.00%	_
Large Cap Core	100.00%	100.00%
Large Cap Equity	46.84%	43.83%
Large Cap Value	100.00%	100.00%
Mid Cap Index	76.05%	73.24%
Multi-Manager Global Listed Infrastructure	100.00%	32.93%
Multi-Manager Large Cap	100.00%	100.00%
Small Cap Core	91.85%	91.85%
Small Cap Index	72.40%	67.70%
Small Cap Value	89.89%	89.89%
Stock Index	94.00%	89.64%
Technology	-	-

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 2016 may qualify for this exemption. The table below shows

the percentage of dividends (the amount reported in box 1a of Form 1099-DIV) attributable to direct U.S. government and agency obligations for each of the Northern Funds during 2016.

	U.S.	Federal Farm	Federal Home	Student Loan Marketing	Tennessee
NORTHERN FUNDS	Government	Credit Bank	Loan Bank	Association	Valley Authority
MONEY MARKET FUNDS					
California Municipal Money Market	-	-	-	-	-
Money Market	6.14%	2.64%	3.80%	_	_
Municipal Money Market	2.32%	-	_	-	-
U.S. Government Money Market	20.73%	12.17%	32.73%	-	-
U.S. Government Select Money Market	16.70%	22.88%	37.78%	-	1.28%
FIXED INCOME FUNDS					
Arizona Tax-Exempt	-	-	-	_	-
Bond Index	24.56%	-	0.10%	_	0.14%
California Intermediate Tax-Exempt	-	_	_	_	_
California Tax-Exempt	-	_	-	-	_
Core Bond	9.56%	_	_	_	_
Fixed Income	8.33%	_	-	-	_
High Yield Fixed Income	_	-	-	-	-
High Yield Municipal	_	_	_	_	_
Intermediate Tax-Exempt	_	_	_	_	_
Multi-Manager Emerging Markets Debt Opportunity	0.12%	-	-	-	_
Multi-Manager High Yield Opportunity	_	_	_	_	_
Short Bond	6.71%	-	-	-	_
Short-Intermediate Tax-Exempt	_	_	_	_	_
Short-Intermediate U.S. Government	55.32%	_	1.13%	_	_
Tax-Advantaged Ultra-Short Fixed Income	0.57%	_	_	_	_
Tax-Exempt	_	_	_	_	_
Ultra-Short Fixed Income	7.98%	0.05%	0.03%	_	_
U.S. Government	60.50%	_	0.92%	_	_
U.S. Treasury Index	96.34%	_	_	_	_
EQUITY FUNDS					
Active M Emerging Markets Equity (formerly known as Multi-Manager Emerging Markets)	-	-	-	-	-
Active M International Equity (formerly known as Multi-Manager International Equity)	0.04%	-	_	-	-
Active M U.S. Equity	0.02%	-	-	-	-
Emerging Markets Equity Index	-	-	-	_	-
Global Sustainability Index	-	-	-	-	-
Global Tactical Asset Allocation	-	-	_	_	-
Income Equity	0.01%	-	-	-	-
International Equity	-	-	-	-	-
International Equity Index	-	-	-	-	-
Large Cap Core	0.02%	—	_	_	-
Large Cap Equity	-	-	-	-	-
Large Cap Value	0.02%	-	_	_	_
Mid Cap Index	0.03%	-	-	-	-
Multi-Manager Global Listed Infrastructure	0.01%	-	_	_	-
Small Cap Core	0.04%	-	-	-	-
Small Cap Index	0.04%	-	_	_	_
Small Cap Value	0.03%	-	-	-	-
Stock Index	0.01%	-	_	_	-
Technology	_	-	_	-	-

TAX-EXEMPT INCOME EARNED BY STATE

Generally, the U.S. government does not impose income tax on interest income derived from municipal obligations. In addition, most states do not impose income tax on interest income derived from their own municipal obligations, or obligations from Guam, Puerto Rico or the Virgin Islands. This table shows the portion of dividends derived from interest income on state and local obligations on a state-by-state basis during 2016 for applicable Northern tax-exempt money market and tax-exempt fixed income funds, as reported on your Form 1099-DIV (box 10).

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$\begin{array}{ c c c c c c c c c c c c c c c c c c c$	Mississippi	-	_	_	-	1.16%	0.01%	1.10%	_	0.14%	0.01%
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Nevada - - - 0.71% 1.39% 0.43% 0.95% 4.52% New Hampshire - - - 0.23% 0.28% 0.19% - New Jersey - - - 0.23% 0.28% 0.19% - New Jersey - - - 0.23% 0.28% 1.12% 3.70% 1.32% New Mexico - - - - 0.25% 0.24% 2.76% 1.48% New York - - - - 0.25% 0.24% 1.41% 5.62% 10.96% 1 North Carolina - - - 0.15% 1.88% 2.18% 1.03% 0.27% 1 Oklahoma - - - 0.59% 0.25% 0.12% 0.19% 0.22% Oregon - - - - 1.31% 1.06% 2.39% 0.62% Pensto Rico - -	Montana	_	_	_	_	_	_	1.11%	_	_	_
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New Jersey - - - 4.76% 0.88% 1.12% 3.70% 1.32% New Mexico - - - - 0.25% 0.24% 2.78% 1.48% New York - - - 0.25% 0.24% 2.78% 1.48% North Carolina - - - 6.76% 20.14% 14.17% 5.62% 10.96% 1 North Carolina - - - 0.01% 0.05% - 0.04% Ohia - - - 0.01% 0.05% - 0.04% Oklahoma - - - 0.13% 1.06% 2.39% 0.62% Pennsylvania - - - 1.31% 1.06% 2.39% 0.62% Puerto Rico - - - - 0.08% 1.12% 0.65% 0.06% 0.09% South Carolina - - - - - -	Nevada	_	_	_	_	0.71%	1.39%	0.43%	0.95%	4.52%	1.01%
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	Washington	_	_	_	_	1.95%	1.79%	1.07%	6.69%	2.67%	2.14%
West Virginia – – – – – – – 0.27% – 0.16%	West Virginia	_	-	-	-	-	-	0.27%	-	0.16%	-
-	-	_	_	_	_	_	1.49%	3.59%	0.37%	1.02%	0.67%
Wyoming 0.35%	Wyoming	-	-	-	-	-			-		_
		100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

LONG-TERM CAPITAL GAIN DISTRIBUTIONS

Listed in the table below are the long-term capital gain distributions per share made by each equity, fixed income and money market fund, as applicable. For more information about capital gain distributions, see the 2016 Northern Funds Tax Guide or visit **northernfunds.com/tax-center.**

NORTHERN FUNDS	Capital Gains
Arizona Tax-Exempt	0.010168
Bond Index	0.006076
California Intermediate Tax-Exempt	0.031222
California Tax-Exempt	0.005926
Global Sustainability Index	0.126726
Income Equity	0.120605
Intermediate Tax-Exempt	0.057546
Large Cap Equity	1.963101
Mid Cap Index	0.910453
Money Market	0.000053
Multi-Manager Global Real Estate	1.012914
Municipal Money Market	0.000165
Short-Intermediate Tax-Exempt	0.013337
Small Cap Core	0.009557
Small Cap Index	0.378990
Small Cap Value	0.301205
Stock Index	0.178431
Technology Fund	0.840021
U.S. Treasury Index	0.071669

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
Arizona Tax Exempt	100.00%	-
Bond Index	-	100.00%
California Intermediate Tax-Exempt	100.00%	_
California Tax-Exempt	100.00%	_
Global Sustainability Index	_	100.00%
Income Equity	92.76%	7.24%
Intermediate Tax-Exempt	100.00%	-
Large Cap Equity	65.51%	34.49%
Mid Cap Index	50.14%	49.86%
Money Market	0.00%	100.00%
Municipal Money Market	65.52%	34.48%
Short-Intermediate Tax-Exempt	96.15%	3.85%
Small Cap Core	_	100.00%
Small Cap Index	21.46%	78.54%
Small Cap Value	11.01%	88.99%
Stock Index	18.27%	81.73%
Technology	38.64%	61.36%
U.S. Treasury Index	49.00%	51.00%

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You could lose money by investing in the Funds. Although each of the Funds seeks to preserve the value of your investment at \$1.00 per share, it cannot guarantee it will do so. For the Money Market Fund and Municipal Money Market Fund, the Funds may impose a fee upon sale of your shares or may temporarily suspend your ability to sell shares if the Fund's liquidity falls below required minimums because of market conditions or other factors. An investment in a Fund is not a deposit of any bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation ("FDIC"), any other government agency, or The Northern Trust Company, its affiliates, subsidiaries or any other bank. The Funds' sponsor has no legal obligation to provide financial support to the Funds, and you should not expect that the sponsor will provide financial support to the Funds, and you should not expect that the sponsor will provide financial support to the Funds.



