

Sustainable Forest Incentive Act

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Property Tax Fact Sheet 9

Fact Sheet

What is the Program?

Legislation passed in 2001—the Sustainable Forest Incentive Act (SFIA)—allows annual payments to be made to enrolled owners of forested land as an incentive to practice long-term sustainable forest management.

Who is Eligible?

To enroll in the sustainable forest incentive program, you must meet all of the following requirements:

- You own 20 or more contiguous acres of land in Minnesota, of which at least 50 percent is forested.

An owner may include private individuals, corporations and partnerships—both residents and nonresidents of Minnesota. However, there can only be one claimant per parcel of land. If the land is owned by multiple people, the owners must decide who will receive the incentive payment.

- There are no delinquent property taxes owed on the land prior to enrolling, and the taxes remain current while enrolled in the program.
- The land must have an active forest management plan in place that was prepared by an approved plan writer within the past 10 years. The plan writer must be approved by the Department of Natural Resources (DNR). All management activities prescribed in the plan must meet the recommended timber harvesting and forest management guidelines created by the Minnesota Forest Resources Council. A complete copy of the plan must be made available to the Department of Revenue upon request.
- You must certify that the land is not enrolled in Reinvest in Minnesota (RIM), Conservation Reserve Enhancement Program (CREP), Conservation Reserve Program (CRP), Green Acres, Ag Preserves, 2c Managed Timberland or the Rural Preserve Program.
- The enrolled acres of land cannot be used for residential or agricultural purposes.
- You agree to be enrolled in the program for a minimum of eight years. **Please note:** your land does not drop out at the end of eight years. To withdraw, a request must be made to the Commissioner of Revenue. The withdrawal process takes four years.

If you meet all of the qualifications for enrollment, you must then record a covenant with the county recorder's office (or registrar for registered land) in which your land is located pledging not to develop the land. Covenant forms are available at the county recorder's office. Allow the county recorder two to three months to process your request.

When to File

Once a covenant has been recorded with the county, complete Form TH1, Sustainable Forest Incentive Act Enrollment Application, to enroll in the program. Applications are available at www.revenue.state.mn.us and at many county and DNR forestry offices.

When you file, be sure all the requested information on your application is provided—including each parcel's covenant number and number of eligible acres. If all the information is not provided, your application will be delayed or denied.

Your application and all required attachments must be post-marked no later than September 30 to receive an incentive payment the following year.

Applications mailed after September 30 and incomplete applications will be denied for that year.

The department will send an approval or a denial letter within 90 days after receiving your application.

Signatures

Both you and your approved plan writer must sign the application form. If the land is owned by a business entity or group, an authorized representative of the entity or group must sign. An unsigned application is considered incomplete.

By signing the application, you are attesting to the accuracy of the information provided. Criminal and/or civil penalties may apply for filing a false or fraudulent application.

Required Attachments

You must attach the following to your application (all attachments must be clearly legible and accurate):

- a copy of the recorded covenant(s), including Exhibits A and B, for each parcel of land you wish to enroll,
- a copy of the Statement of Property Taxes for each qualifying parcel.

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(Rev. 11/11)

This fact sheet is intended to help you become more familiar with Minnesota tax laws and your rights and responsibilities under the laws. Nothing in this fact sheet supersedes, alters or otherwise changes any provisions of the tax law, administrative rules, court decisions or revenue notices. Alternative formats available upon request.

- a copy of the forest management plan map or eligible acres map that clearly shows which acres are being enrolled and any excluded acres (or an aerial photo and/or map of the vegetation and other natural features of the land clearly indicating the boundaries of the land and of the forest land).

Be sure to keep a copy of your application and all attachments for your records. You will need to refer to the parcel information in future years when you complete and sign your annual certification letter. The department will not be able to provide you with a copy.

Annual Certification Letters

By July 1 of every year, the department will send a certification letter to each enrolled participant. In the letter, you will be asked to:

- sign attesting that the requirements and conditions for continued enrollment in the program are currently being met;
- report any changes to the parcel information; and
- return the signed certification by August 15 of that same year.

If you properly complete and return the certification by August 15 of each year, you will receive your annual incentive payment on or before October 1 of the same year.

If you fail to return the certification letter as required, you will not receive an incentive payment for that year.

How Payments are Determined

Legislation passed in 2011 provides that the payment-per-acre for property enrolled in the SFIA program is \$7 per acre and the annual payment per claimant cannot exceed \$100,000.

The amount each participant will receive is determined by multiplying the payment-per-acre (\$7) by the number of enrolled acres. **Please note:** The payment you receive is **taxable income**.

If you owe delinquent taxes on property not enrolled in SFIA—

or if you owe criminal fines or a debt to a state or county agency, district court, qualifying hospital or public library, state law may require the department to apply your incentive payment to the amount you owe (including penalty and interest on the taxes). Your Social Security number may be used to identify you as the correct debtor. If your debt is less than your incentive payment, you will receive the difference.

Removal for Property Tax Delinquency on Enrolled Land

If you owe delinquent property taxes on any enrolled land, your land will be removed immediately from the program. The department will notify you of the removal and you will have 60 days from the notice date in which to pay the delinquent taxes. If you pay the delinquent taxes within the 60-day period, your land will be reinstated without penalty.

Lands terminated from the SFIA program due to delinquent property taxes are not entitled to any payments and are subject to removal penalties. The covenant will remain on the land for the remainder of the eight years.

Use of Information

To enroll in the SFIA program, you must file Form TH1. All information on Form TH1, including your Social Security number, is required by M.S. 290C.04 to properly identify you and determine if you qualify to receive an incentive payment. If the information is not provided, your application may be delayed or denied. If you provide a phone number where you can be reached during the day, the department can save time if questions arise.

Your Social Security number is private information and cannot be disclosed to others without your consent. Your federal or state ID number and date of birth are also private nonpublic information, but can be disclosed to county assessors for tax administration purposes and to county treasurers for purposes of Revenue Recapture. All other information is public.

Frequently Asked Questions

If I have more than one parcel of land, do I record a separate covenant for each?

No, but you must record a covenant with each county in which your land is located. The covenant includes all your parcels in the county that will be enrolled in the SFIA program, even if the parcels are not contiguous. Once recorded, the county will assign a covenant recording number.

Where do I find the covenant recording number?

You can find the covenant recording number on the front page of your covenant after it is recorded by the county.

What items must be included in the forest management plan?

The plan must include the landowner's goals for the property, the parcel identification number (PID), a legal description, an inventory of the forest cover types, a map of the vegetation and boundaries, the proposed future conditions, a calendar of management activities, and other information pertinent to the management of the forest. The DNR will work with the claimant and the plan writer to determine what is acceptable.

Do I have to follow the plan to remain eligible for a payment?

Yes. Each plan will include a calendar of management activities. To remain eligible for payment, you must follow the timetable to a reasonable degree.

Can I enroll only a portion of the eligible acres included in the parcel?

Yes, but if you want to enroll the remaining acres in the future, your county must first assign a new PID to the remaining acres. For example, if your parcel of land includes 100 eligible acres but you only want to enroll 75 acres at this time, you can. However, before you can enroll the remaining 25 eligible acres, your county must assign a new PID to the 25 acres. You cannot enroll additional acres using the same covenant and PID numbers of a parcel that is already enrolled.

Do I have to own the land for the entire eight years?

No. You may sell all or a portion of the parcel of land at any time during your enrollment, but the covenant remains in effect. This means the new owner must abide by the covenant.

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What types of land are not eligible?

Land that is not eligible in SFIA includes:

- residential land or agricultural land used for agricultural purposes, including pasture, hayfields and cropland.
- land enrolled in RIM, CREP, CRP, Green Acres, Ag Preserves or the Rural Preserve Program.
- land improved with such things as pavement, sewer, roads and campsites. Camping is allowed on SFIA enrolled land, as long as it does not alter the management of the surrounding area.
- land with other improvements that are not required for forest management activities.
- land enrolled in class 2c managed timberland.

What improvements may be included?

A building or structure used exclusively for management activities may be included. An example would be a shed or building that *only* houses equipment used during management activities. If the building also is used as a temporary or permanent dwelling or is used for storage of items not regularly used for management purposes, the land must be excluded.

If the parcel includes nonqualifying improvements, is the land still eligible?

It depends. Any portion of a parcel of land that has improvements that are not necessary for sustainable forest management must be deducted from the plan's total acres. The minimum deduction is three acres for each area excluded. After deductions for exclusions there must still be a minimum of 20 contiguous acres to be eligible. Note that after the minimum contiguous acres are met, additional tracts may be included in the same plan, even if they are not contiguous.

What if I have nonforested land that is not used for agriculture?

Open water, including rivers, that are less than three acres in size can be included as part of the forested land. Larger areas must be excluded. Marshes and other wetlands not capable of growing trees, but due to their existence have a significant impact on forested land, are eligible for SFIA. This also includes land that may have been an agricultural field in the past, but has recently been planted for reforestation.

What happens if I decide to develop part or all of my enrolled land?

Before you complete the covenant, exclude any area you might develop in the future.

If you violate the covenant by developing or constructing improvements on any of your enrolled land, *all* of your land will be removed from the program and you will be assessed a penalty. The penalty is the total amount of payments you received on *all* of your land—not just the part in violation—for the previous four years, plus interest. **Please note:** The SFIA Covenant remains on the land. You cannot pay a penalty to remove the covenant.

Are there any limitations on the number of acres?

There is no maximum, but any owner enrolling greater than 1,920 acres must allow year-round, nonmotorized public access to fish and wildlife resources, except in areas within one-quarter mile of a permanent dwelling or during periods of high fire danger. (High fire danger is determined by the DNR.)

Can I decide after I'm enrolled to leave the program?

All enrolled land must remain in the program for a minimum of eight years.

You may choose to cancel enrollment from the program after four years by filing a written request with the Department of Revenue. Once filed, the cancellation will take effect January 1 of the fifth calendar year that begins after receipt by the commissioner of the termination notice. You will continue to receive incentive payments during the four-year waiting period.

Once you withdraw, the land cannot be reenrolled in the program for at least three years.

I have been notified that the land I am buying is enrolled in the SFIA program. Do I have to reenroll?

Yes. If you want to receive annual incentive payments, you must complete and submit an application, Form TH1.

Keep in mind that even if you do not apply for payments, your land will remain in the program. Therefore, you must abide by the covenant and you cannot develop the land until it is withdrawn from the program.

I purchased enrolled lands. Can I request to withdraw and still receive the incentive payment while waiting to be removed from the program?

Yes. You need to complete an application Form TH1, and send in an intent to withdraw. You will receive payments until the land is released.

I am the personal representative of an estate in which the decedent was enrolled in the SFIA program. Will the estate continue to receive payments?

It depends if you chose to terminate or continue enrollment. You have up to one year to notify the department to either:

- **terminate without penalty**—if you choose to terminate, we will issue a document releasing the land from the covenant—OR
- **continue enrollment** in the SFIA program. If you choose to continue, you must submit a letter of explanation with a new application, Form TH1. If the new application is approved, the land is enrolled in the program without a break.

If you do not notify the department within one year, the enrollment will terminate automatically without penalty.

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Can my land's classification change?

Yes. This is at the discretion of the county in which the land is located. In a timber program, your land's classification would most likely change to timber.

I recently purchased land already in SFIA. Who will receive the incentive payment for the upcoming year?

This is a determination made between buyer and seller. It may be written in the purchase agreement. In the case of property sold or transferred, the former owner and the purchaser or grantee must determine between them which person is eligible to claim the payments provided under sections 290C.01 to 290C.11. The owners, transferees or grantees must notify the commissioner in writing which person is eligible to claim the payments.

Can I remove just a portion of a parcel?

No. The whole parcel must be removed. Should you decide to reenroll the removed parcel, you will need to wait an additional three years to do so.

Questions? Need Forms?

Call 651-556-6088. TTY: Call 711 for Minnesota Relay.

Applications are available at www.revenue.state.mn.us and at many county and DNR forestry offices.