

# The Sustainable Forest Incentive Act

9a

Property Tax Fact Sheet 9

Fact Sheet

The Sustainable Forest Incentive Act provides incentive payments to encourage sustainable use of forest lands. Property owners with qualifying lands are eligible to enroll in this program.

## Sustainable Forest Incentive Act (SFIA)

Property owners can receive \$7 for each acre of qualifying forest land they enroll in SFIA.

In return, they agree not to develop the land and to follow a forest management plan while they are in the program. All enrolled land must remain in SFIA for at least eight years.

### What properties qualify for SFIA?

Qualifying properties must:

- Be current on property taxes
- Have 20 or more contiguous acres
- Be at least 50 percent forest land as defined in Minnesota Statutes 88.01, subd. 7
- Have a forest management plan in place
- Have an agreement (“covenant”) in place limiting the property’s use to forest management activities

Further, qualifying properties **cannot**:

- Be classified as 2c Managed Forest Land by the assessor or enrolled in:
  - Reinvest in Minnesota (RIM),
  - Conservation Reserve Enhancement Program (CREP)
  - Conservation Reserve Program (CRP)
  - Green Acres
  - Agricultural Preserves
  - Rural Preserves
- Be used for residential or agricultural purposes

- Be improved with a structure, pavement, sewer, campsite, or road used for purposes that are not in the forest management plan
- Be covered under a Lessard-Sams Outdoor Heritage Council easement or similar easement granted after May 30, 2013

### What is a forest management plan?

A “forest management plan” outlines activities to meet the Minnesota Forest Resources Council’s recommended guidelines for timber harvesting and forest management.

To receive SFIA payments, your property must be covered by a qualified forest management plan. The plan must have been written or updated within the last 10 years and prepared by a plan writer who is approved by the Minnesota Department of Natural Resources.

You must follow the plan requirements while enrolled in SFIA to continue receiving payments.

### How does the covenant work?

To enroll in SFIA, you must record a covenant on the property with your County Recorder’s Office. Covenant forms are available at the recorder’s office and the Department of Revenue website, [www.revenue.state.mn.us](http://www.revenue.state.mn.us).

The covenant prohibits any use of the property that conflicts with the SFIA program, such as:

- Developing the property
- Using the property for residential or agricultural purposes

- Not following the forest management plan

The covenant runs with the land for at least eight years, and it is binding on you and your successor.

If you remove land from SFIA, there is a 4-year waiting period before the covenant ends. During this time, the covenant is still binding and you can continue to receive payments.

Your land must be enrolled at least four years before you can start the removal process.

For example, if you enroll in SFIA in 2015:

- Your incentive payments begin in 2016
- You can apply to be removed in 2019
- Your covenant ends on January 1, 2024

#### **How do I enroll in SFIA?**

Submit a completed SFIA Enrollment Application (Form CR-TH1). This form is available at our website, [www.revenue.state.mn.us](http://www.revenue.state.mn.us), and at many state and county forestry offices.

When submitting your application, you must attach copies of:

- Your recorded covenant
- Your property tax statement for each tax parcel you wish to enroll
- The forest management plan map or other map that clearly shows which acres are being enrolled and any that are excluded

The department will notify you in writing if your application is approved or denied.

**Note:** You must apply by September 30 to receive an incentive payment in the following year.

#### **How do I get the payment?**

The department sends you a Certification Letter by July 1 of each year you are enrolled in SFIA. To receive a payment, you must:

- Initial and sign the letter to certify you are following the requirements and still eligible for SFIA.
- Report changes to the parcel information of your enrolled land.

- Return the completed letter by August 15 to get a payment by October 1 of that year.

#### **How much will the payment be?**

The payment is \$7 for each acre enrolled in the program. **Note:** The payment you receive is taxable income.

#### **How do I remove my property from the program?**

After four years of enrollment, you can ask to withdraw your land from SFIA by sending a written request to the Department of Revenue.

There is a 4-year waiting period to remove land from the program after the department receives your request.

If state law is changed to reduce the SFIA payment amount, you may withdraw from the program without a 4-year waiting period.

#### **What if I have questions?**

For questions about the SFIA program, contact us at 651-556-6088.

For questions about forest management plans, contact the Department of Natural Resources or your county forestry office.

For more information, refer to Fact Sheet 9b, *SFIA Frequently Asked Questions*.

# The Sustainable Forest Incentive Act

## Frequently Asked Questions

9b

Property Tax Fact Sheet 9b

Fact Sheet

The Sustainable Forest Incentive Act (SFIA) provides incentive payments to encourage sustainable use of forest lands. For basic information about the program, please refer to Fact Sheet 9a.

### Do I need to record a separate covenant for each tax parcel I want to enroll?

No, but if you enroll property in more than one **county**, you must record a separate covenant (agreement) in county. One covenant can include many tax parcels, even if they are not contiguous.

### Where do I find my covenant recording number?

After you record your covenant with the county the recording number is on the front page.

### What does a forest management plan include?

Your plan must include:

- Forest management goals for the property
- The parcel identification number (PID)
- The legal description of the land
- An inventory of forest cover types
- A map of vegetation and boundaries
- Proposed future conditions
- A calendar of management activities

The Minnesota Department of Natural Resources (DNR) will work directly with you and the plan writer to determine what is acceptable.

### Can I enroll only part of my eligible acres?

Yes, as long as you are enrolling at least 20 acres. To enroll remaining acres in the future, you must have a new PID and covenant for the extra acres.

### What if I sell or transfer the land?

You can sell all or a part of the land at any time, but the covenant stays in effect. The new owner must abide by the covenant. The new owner can also enroll in the program for payment.

### What if I have a building on my property?

If the building or structure is used **exclusively for forest management activities**, it can be enrolled. An example would be a shed that houses only forest management equipment.

If it is a **residential** structure – or other building that is not used exclusively for forest management – at least 3 acres must be excluded from enrollment with the structure. An example would be a garage that houses cars, a cabin, or a barn.

You can exclude more acres if you think you may add additional improvements. After you reduce land for a structure you must still have 20 acres to be eligible for enrollment.

### What if I want to build on the property?

The covenant prohibits you from improving or building on any acres enrolled in SFIA. If you might want to build in the future, make sure to exclude any acreage you would build on.

If you violate the covenant, **all** of the enrolled acres will be removed from the program, and you will be penalized. The penalty is the total amount of payments you received on all of the land for the previous four years, plus interest. The covenant would still be on the land.

If you build on acres that were already excluded from SFIA, there is no penalty.

**Is camping allowed on SFIA land?**

Camping and other recreational uses are allowed on SFIA land, as long as it does not conflict with the covenant or forest management plan.

**What if I have wetlands on my property?**

Open water less than 3 acres can be included in the forest management plan and enrolled in SFIA. Larger acres must be excluded from the program.

Some marshes and other wetlands that cannot grow trees, but that have a significant impact on forested land, may be eligible for SFIA.

**How many acres can I enroll?**

There is no maximum number of acres. If you enroll more than 1,920 acres, you must allow year-round, non-motorized public access to fish and wildlife resources, except:

- In areas within one-quarter mile of a permanent dwelling
- During periods of high fire danger as determined by the DNR.

**How do I withdraw from the program?**

If you've been enrolled in the program for at least four years, you can request cancellation by calling or writing the department.

Once accepted, the cancellation will take effect on January 1 of the fifth calendar year after we receive your termination notice.

During the 4-year waiting period, the covenant is still binding and you continue to receive payments.

Once you have withdrawn, you cannot re-enroll in SFIA for at least three years.

If state law is changed to reduce the payment from \$7 per acre, you may immediately withdraw without a 4-year waiting period.

**Can I remove just a portion of the land?**

Only entire tax parcels may be removed. If you have more than one tax parcel, you do not need to remove all of the tax parcels. You may not remove less than one enrolled tax parcel.

**If I buy land that is in SFIA, do I have to enroll?**

You must apply for enrollment if you want to continue to receive payments.

If you do not wish to enroll, the property is still bound by the covenant and you must abide by it.

You must request termination from the program and wait for the covenant to be released before you can build on the property or change its use.

The buyer and seller must decide between themselves who will receive payments. This may be written into a purchase agreement.

**What if my land's classification changes?**

If your County Assessor changes your land classification, we may ask you for additional information. Some uses of the property (residential use, agricultural use) are prohibited by the SFIA program for enrolled acres.

**What if I have delinquent taxes?**

If you owe delinquent taxes on enrolled land, your land may be removed from the program. You have 60 days to pay the taxes. If you pay the taxes, your property will be reinstated without penalty.

If you do not pay the taxes, your land will be removed and you will be subject to penalties. The covenant will remain on the land for the minimum eight years.

**What if I have other delinquent taxes or debts?**

State law may require us to apply your payments to other delinquent taxes or government debts.

Examples include criminal fines and debts to the state or county agencies such as district courts, hospitals, or public libraries.

**Questions**

If you have questions about the SFIA program contact us at 651-556-6088.

If you have questions about forest management plans, please contact the Department of Natural Resources or your county forestry office.

For more information refer to Fact Sheet 9a, *Sustainable Forest Incentive Act*.

# Sustainable Forest Incentive Act Enrollment Application

Apply by Sept. 30, 2017, to enroll your land for incentive payment in 2018.

Section 1 — Before You Can Apply

**SECTION 1 — Before you complete or submit this form, the following statements must be true:**

- I have attached copies of the recorded covenant(s), including:
  - Exhibit(s) A and B, for the land I wish to enroll
  - Copies of the Statement of Property Taxes Payable in 2016 for each qualifying parcel
  - 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)
- I understand that as a condition of enrolling the land in the SFIA program, I agree not to develop the land for a minimum of eight years and have recorded a covenant showing a recording date prior to the Sept. 30 deadline with each county office in which the land is located.
- I certify that the land is not enrolled in Reinvest in Minnesota (RIM), Conservation Reserve Enhancement Program (CREP), or the Rural Preserve Program, and is not classified as 2c managed forest land, and is not subject to an easement under M.S. section 97A.056 Lessard-Sams Outdoor Heritage Council (LSOHC) or a comparable Conservation Reserve Program (CRP), Green Acres, Ag Preserves or the Rural Preserve Program.
- I understand that before I submit this form, it is my responsibility to have the approved plan writer sign, date, and provide his or her SFIA identification number. *(The application will not be accepted without the plan writer's signature and valid SFIA ID number on pg. 2.)*
- I have attached the first page of my forest management or Woodland Stewardship plan.

Section 2 — Landowner Information

**SECTION 2 — Landowner information: You must apply in the name of the individual or entity that owns the land. Complete a separate application for individual-owned and entity-owned property.**

The land is owned by (check one box only):  an individual person or multiple people (complete Part 1 below and skip Part 2)  a business or organization (complete Part 2 below and skip Part 1)

**Part 1 — Complete only if the land is owned by an individual person or multiple people (only one name is allowed).**

Landowner's first name and middle initial	Last name	Social Security number	Date of birth
Current address			
City		State	Zip code

**Part 2 — Complete only if the land is owned by a business or organization.**

Name of business or organization	Federal ID or Minnesota tax ID number (required)
Name of authorized representative (first, middle initial and last name)	Title
Current business address of authorized representative	
City	
State	Zip code

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**SFIA Enrollment Application (continued)**

Name of landowner or business	Social Security, federal ID or Minnesota ID number
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**SECTION 3** — Provide the following information for each parcel of land you wish to enroll. If you fail to provide the required information, including the number of eligible acres for each parcel, your application will be delayed or denied.

Section 3 — Parcel Information

<b>A</b> Code for Minnesota County <small>(3-digit code from instructions)</small>	<b>B</b> Covenant Recording Number <small>(attach a copy of the covenant, including Exhibits A and B, for each parcel)</small>	<b>C</b> Property Identification Number (PID) <small>(The PID is not the legal description. Attach a copy of your property tax statement for each parcel)</small>	<b>D</b> Number of Eligible Acres <small>(separately list for each parcel; round to nearest whole acre)</small>
Attach a separate CR-TH1, page 2, if needed.			<b>Total acres to be enrolled . . . . .</b>

Section 4 — Signatures

**SECTION 4 — Signatures**  
It is the applicant's or the authorized representative's responsibility to have the *approved* plan writer sign, date and provide his or her SFIA ID number before submitting. The application will be denied if the requested information and signatures are not provided. Making false statements on this application is punishable by law. Civil and/or criminal penalties may apply for filing a false or fraudulent application.

**Plan writer (signature and SFIA ID number are required):** *I attest that the forest management plan(s) on the above land was developed within the last 10 years, and I have verified the number of eligible acres provided for each parcel is correct.*

Approved plan writer's name (first, middle and last name). If more than one, attach separate sheet.	Plan date	SFIA ID number
Approved plan writer's signature	Date	Daytime phone

**Applicant or authorized representative (signature required):** *I declare that this form is correct and complete to the best of my knowledge and belief. I own or I am an authorized representative of the entity that owns the land and I agree to follow the land's forest management plan and all provisions of the Sustainable Forest Incentive Act. I also claim that no delinquent property taxes are due.*

Signature of applicant or authorized representative	Date	Daytime phone
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**You must attach copies of the recorded covenant(s), including Exhibit(s) A and B, each parcel's 2016 property tax statement and the forest management plan map or eligible acres map, and the first page of your forest management or Woodland Stewardship plan.**

**Keep complete copies of all documents, including your application, for future reference. Mail this application and all required attachments no later than Sept. 30, 2017, to: Minnesota Revenue, Mail Station 3340, St. Paul, MN 55146-3340.**

## Form CR-TH1 Instructions

### Sustainable Forest Incentive Act Enrollment Application

*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.

- The land cannot be enrolled in Reinvest in Minnesota (RIM), Conservation Reserve Enhancement Program (CREP), Conservation Reserve Program (CRP), Green Acres, Ag Preserves, the Rural Preserve Program, or classified as 2c managed forest land. The land cannot be subject to a conservation easement funded under Minnesota Statutes, section 97A.056 (Lessard-Sams Outdoor Heritage Council) or a comparable

permanent easement conveyed to a governmental or nonprofit entity after May 30, 2015.

- 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.

If you meet all of the qualifications, 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.

After you receive a covenant recording number, complete Form CR-TH1, *Sustainable Forest Incentive Act Enrollment Application*, to enroll in the program.

#### Use of Information

Form CR-TH1 is not required by law to be filed. However, to enroll in the SFIA program, you must file this form. All information on this form, 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 all the information, other than your phone number, 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 ID number and date of birth are also private or 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.

#### Required Attachments

You must attach the following to your application:

- a copy of the recorded covenant, along with Exhibits A and B, for each parcel of land you wish to enroll;

- a copy of the 2016 property tax statement for each parcel of land you wish to enroll; and
- 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).
- a copy of the first page of your forest management or Woodland Stewardship plan

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.

#### Due Date

Your application and all required attachments must be postmarked no later than Sept. 30, 2017, to receive an incentive payment in 2018.

Applications mailed after Sept. 30 will be denied for that year. If all the required information is not provided, your application will be delayed or denied.

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

#### Instructions for Completing Form CR-TH1

##### Section 1 – Before You Can Apply

Before completing your application, all statements in Section 1 must be true. To avoid problems processing your application, be sure that you can answer “yes” to all the statements before filing Form CR-TH1.

##### Section 2 – Landowner Information

Check one box to indicate if the land is owned by an individual person (or multiple people) or a business, and complete Part 1 or Part 2, whichever applies to you. Complete a separate application for individual-owned and entity-owned property.

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If the land is owned by multiple people, including married couples, the owners must decide who will receive the incentive payment. Only one owner can apply.

If the land is owned by a business or organization, the entity must appoint one authorized representative to enroll in the program and to receive incentive payments on behalf of the entity. However, the authorized representative must apply in the name of the entity that owns the land.

The current mailing address will be used to mail any correspondence, including incentive payments. If you change your address, you must notify the department of the change by calling 651-556-6088.

**Section 3 – Parcel Information**

For each parcel of land you wish to enroll, you must provide the requested information. If all the information is not provided for each parcel, including the number of eligible acres, your application will be delayed or denied.

**Column A — Code for Minnesota County.** Using the chart below, find the county in which each parcel is located and enter the corresponding three-digit number in Column A of Section 3.

**Column B — Covenant Recording Number.** Enter the covenant recording number for each parcel of land you wish to enroll. The recording number is issued by the county at the time your covenant is recorded and is found on the covenant.

Attach a copy of the covenant recorded for each parcel of land you wish to enroll in the program. Be sure to also include copies of Exhibits A and B.

**Column C — Property Identification Number (PID).** Enter the PID for each parcel of land you wish to enroll. You can find the PID on the property tax statement for that parcel.

Attach a copy of the property tax statement for each parcel of land you wish to enroll in the program.

**Column D — Number of Eligible Acres.** For each parcel, you must *separately* list the number of eligible acres you wish to enroll. Round the amount of acres for each parcel to the nearest whole acre.

If you do not provide the number of acres for each parcel, processing your application will be delayed.

**Section 4 – Signatures**

After you complete Sections 1 through 3, the DNR-approved plan writer must sign the application and provide his or her SFIA identification number.

By signing the application, the approved plan writer:

- certifies that the forest management plan on the land listed in Section 3 was developed within the last 10 years; and
- claims that the number of eligible acres for each parcel is correct.

After the DNR-approved plan writer has signed the application, you must also sign in Section 4.

By signing the application, you are:

- declaring that the form is correct and complete to the best of your knowledge;

- certifying that you are the owner or authorized representative of the entity that owns the land;
- agreeing to follow the land’s forest management plan and all provisions of the Sustainable Forest Incentive Act (M.S. 290C.01 to M.S. 290C.12); and
- certifying that no delinquent property taxes are due on the land you wish to enroll.

Both your signature and the plan writer’s signature are required. An unsigned application is considered incomplete.

Making false statements on this application is against the law. Criminal and/or civil penalties may apply for filing a false or fraudulent application.

**If You’re Approved**

Once you’re approved and enrolled in the program, the department will send you an annual certification letter every July, beginning July 1, 2018. If you properly complete the certification and return it by the due date as instructed, you can expect to receive your first incentive payment on or before Oct. 1, 2018.

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

**Questions? Need Forms?**

Website: [www.revenue.state.mn.us](http://www.revenue.state.mn.us)  
Phone: 651-556-6088

**Codes for Minnesota Counties (for use in Section 3, Column A, of Form TH1)**

County	Code	County	Code	County	Code	County	Code	County	Code	County	Code
Aitkin	001	Cook	031	Isanti	059	McLeod	085	Pine	115	Stearns	145
Anoka	003	Cottonwood	033	Itasca	061	Mahnomen	087	Pipestone	117	Steele	147
Becker	005	Crow Wing	035	Jackson	063	Marshall	089	Polk	119	Stevens	149
Beltrami	007	Dakota	037	Kanabec	065	Martin	091	Pope	121	Swift	151
Benton	009	Dodge	039	Kandiyohi	067	Meeker	093	Ramsey	123	Todd	153
Big Stone	011	Douglas	041	Kittson	069	Mille Lacs	095	Red Lake	125	Traverse	155
Blue Earth	013	Faribault	043	Koochiching	071	Morrison	097	Redwood	127	Wabasha	157
Brown	015	Fillmore	045	Lac qui Parle	073	Mower	099	Renville	129	Wadena	159
Carlton	017	Freeborn	047	Lake	075	Murray	101	Rice	131	Waseca	161
Carver	019	Goodhue	049	Lake of the		Nicollet	103	Rock	133	Washington	163
Cass	021	Grant	051	Woods	077	Nobles	105	Roseau	135	Watonwan	165
Chippewa	023	Hennepin	053	LeSueur	079	Norman	107	St. Louis	137	Wilken	167
Chisago	025	Houston	055	Lincoln	081	Olmsted	109	Scott	139	Winona	169
Clay	027	Hubbard	057	Lyon	083	Otter Tail	111	Sherburne	141	Wright	171
Clearwater	029					Pennington	113	Sibley	143	Yellow Medicine	173