

Property Tax Relief for Woodland Owners...

Property taxes pay for important local government services authorized by elected officials, but they are a significant annual cost for forest landowners. Landowners may not fully recover management investments, including property taxes, when trees grow 30 to 100 years before harvest and ownership changes about every 20 years. In addition, your land management provides wildlife habitat, watershed protection, aesthetics, and biodiversity that benefit many Minnesotans who pay no forest management costs. Because of the public benefits your forest land provides, the Minnesota Legislature created the **Sustainable Forest Incentive Act (SFIA)** and the **2c Managed Forest Land Classification (Class 2c)** to reduce ownership costs on sustainably managed forest land. (Mel Baughman, University of Minnesota)

Key elements of SFIA and Class 2c:

| SFIA | Class 2c |
|--|--|
| 20 acre minimum | 20 acre minimum |
| No maximum acreage enrolled | 1,920 acre maximum enrolled |
| Public access required if > 1,920 acres enrolled | Public access not required |
| Exclude 3 acre minimum for building | Exclude 10 acre minimum for building |
| 8,20,50-year minimum enrollment options; payment rates increase with agreement length. (see below) | 1-year minimum enrollment |
| Pay varies from \$10 - 21 per acre, depending on acres enrolled and covenant length. | Pay 0.65% Property Tax Class Rate |
| Property tax qualifies for itemized deduction on federal income tax return, but SFIA payment is taxable income | Property tax qualifies for itemized deduction on federal income tax return |
| Forest Management Plan must be registered | Forest Management Plan must be registered |

(2023)

Both options require a Forest Management/Stewardship Plan written and updated every 10 years. Both must be registered with MN DNR to be eligible to tax relief programs.

What is a Forest Management Plan?

A forest management plan guides your personal management actions to help achieve your goals for your woods. The plan is developed by an approved plan writer. <https://www.dnr.state.mn.us/foreststewardship/plan-writers.html>. A typical plan is 10-30 pages, usually in a 3-ring binder. It is often called a Woodland Stewardship Plan or Forest Stewardship Plan.

If you already have a Forest Management Plan and are receiving SFIA payments, but do not have your plan registered, you must do so by May 15.

Key Changes to SFIA include:

- SFIA payment rates (per acre) may increase.
- You must have a forest management plan registered with DNR to receive SFIA payments.
- You may choose from three covenant lengths – 8, 20, or 50 years.

| COVENANT LENGTH | PAYMENT RATE (PER ENROLLED ACRE) |
|-----------------|---|
| 8 years | <ul style="list-style-type: none">• Up to 1,920 acres enrolled: \$10.09• More than 1,920 acres enrolled: \$13.98 |
| 20 years | <ul style="list-style-type: none">• Up to 1,920 acres enrolled: \$13.98• More than 1,920 acres enrolled: \$17.86 |
| 50 years | <ul style="list-style-type: none">• Up to 1,920 acres enrolled: \$17.86• More than 1,920 acres enrolled: \$21.74 |

(2023 estimated payment rates)

Key points regarding stewardship plans:

- Landowners, who have not already registered their plan, will need to send all pages of their plan in to the DNR for registration by May 15.
- The \$50 registration fee. This is waived for those already in SFIA.
- SFIA Enrollees who's plan expired this year will have until December 31, next year to send their plan in. The registration fee is also waived for them, being they are still a current enrollee.

Enrollment:

SFIA: Apply by October 31, this year, to enroll your land for incentive payment next year.

<http://www.revenue.state.mn.us/individuals/sfia/Pages/tax-information.aspx>

2c Managed Forest Land: Applications are available in your county assessor's office. Application must be made by May 1 to qualify for class 2c for the current assessment year, taxes payable the following year.

You must have a valid forest management plan at the time of application. You cannot apply for the classification pending a forest management plan.

http://www.revenue.state.mn.us/propertytax/factsheets/factsheet_17.pdf

For more information on recent SFIA changes visit:

<http://www.dnr.state.mn.us/foreststewardship/sfia>