

The Sustainable Forest Incentive Act

Property Tax Fact Sheet 9

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)

As a property owner, you can receive an incentive payment for each acre of qualifying forest land you enroll in SFIA.

In return, you agree not to develop the land and to follow a forest management plan while you are in the program. All enrolled land must remain in SFIA for no less than the length of the covenant.

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 registered 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, often called a Woodland Stewardship Plan or Forest Stewardship Plan, guides your personal management actions to help achieve your goals for your land. The plan is developed by a DNR-approved forester and is unique to your property.

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

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.

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

You may choose from an 8-, 20-, or 50-year covenant. Regardless of the length you choose, the covenant will run with the land for the duration of the covenant and is binding on you and your successor.

If you remove land from SFIA, you must wait one-half the duration of the covenant before the covenant ends to start the removal process. During this time, the covenant is still binding and you can continue to receive payments.

For example if you are in an 8-year covenant, if you enroll in SFIA in 2017:

- You can apply to be removed in 2021
- Your covenant ends on January 1, 2026

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 (type **SFIA** into the search box), 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 (this plan needs to be submitted to DNR for registration by September 15)

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

Note: You must apply by October 31 to receive an incentive payment in the following year.

How do I get the payment?

The department sends you a Certification Letter by May 15 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 July 1 to get a payment by October 1 of that year.

How much will the payment be?

The payments rate are adjusted each year based on average market values and tax rates but will not increase or decrease by more than 10 percent from the previous year. The estimated payments rate can be found on Revenue's website, www.revenue.state.mn.us.

Note: The payment you receive is taxable income.

How do I remove my property from the program?

Once you have been enrolled for one-half of the duration of the covenant, you can ask to withdraw your land from SFIA by sending a written request to the Department of Revenue.

There is a waiting period (half the duration of the covenant) to remove land from the program after the department receives your request.

If state law is changed to reduce the SFIA payment rate more than 10% than what you received in the prior year, you may withdraw from the program without a waiting period.

What if I have questions?

For questions about the SFIA program, contact us.

- **Applications, payments, or penalties:**
Call 651-556-6088 or email proptax.SFIA@state.mn.us.
- Go to the DNR website at www.mndnr.gov. Type **SFIA** into the Search box.

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