

The Sustainable Forest Incentive Act

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.

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Frequently Asked Questions

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?

If you enroll property in more than one **county**, you must record a separate covenant (agreement) in each county. One covenant can include many tax parcels, even if they are not contiguous.

If you choose different covenant lengths for different parcels of land, you must record separate covenants.

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

When your plan is submitted to the Minnesota Department of Natural Resources (DNR) for registration a DNR forester will review your plan to ensure it meets SFIA requirements.

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 part of the land at any time, but the covenant stays in effect. You must notify the Department of Revenue, in writing, within 60 days after the property title is transferred.

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 contiguous 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 (must be the required three acres at a minimum) you would build on at the time of application.

If you violate the covenant, you will not receive the incentive payment and you will be penalized. The covenant would remain on the land. See table for examples:

If you	You will be charged
Do not pay property taxes	<ul style="list-style-type: none">• Payback amount *• Interest
Add a building or other property improvement	<ul style="list-style-type: none">• Payback amount *• Interest• 25% of the parcel's new estimated market value
Change the use of the property	<ul style="list-style-type: none">• Payback amount *• Interest• 30% of the parcel's new estimated market value

*The payback amount is equal to the SFIA payments you received for the number of years the land was in a covenant or for half the length of the covenant (4, 10, or 25 years) whichever is less.

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. Wetlands that are exempt from property tax are not 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 one-half the duration of the covenant, you can request termination by writing to the Department of Revenue.

Revenue will send a confirmation letter with the date your land will be released. There is a waiting period (half the duration of the covenant) to remove land from the program after the department receives your request.

During the 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 SFIA payment rate more than 10% than what you received in the prior year, you may withdraw from the program without a waiting period.

Can I remove just 3 acres or a portion of the land?

Enrolled land is released by entire tax parcels only. If you have several tax parcels, you may release just one parcel as long as it is the entire parcel.

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

Your land is already enrolled, you must apply for a name change and 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 penalty for an improvement is 25% of the parcel's new estimated market value.

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

You must have a current forest management plan registered with DNR. You have two years to transfer the plan into your name. Contact the DNR or visit their website for more information.

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 and subject to a 30% penalty of the market value.

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 a minimum of the duration of the covenant.

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.

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