

Changes to the SFIA Program: What it means for landowners and service providers

SFEC U of MN Extension Webinar

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Outline

SFIA Background

Conservation Easements and Public Access

Forest Management Plan Registration

Covenants

Overview of new changes

How does it affect you

Questions

What is SFIA?

SFIA: The Sustainable Forest Incentive Act

- Administered by MN Department of Revenue (DOR)
- Enacted in 2001
- Replaced a forest taxation law dating from 1957
- ~ 2,900 enrollees for 1,050,000 acres

What is SFIA?

Why?

→ Minnesota privately owned forests continue to provide public benefits

Purpose:

1. To encourage sustainable forest management practices on private forest land

→ Forest Management Plan

2. To keep forest land as forest

→ Covenant that restricts land development

What is SFIA?

How?

The State of Minnesota pays the landowner an incentive payment (\$7/acre) for obtaining a forest management plan and recording a covenant that restricts development on enrolled land (8 year minimum)

What is SFIA?

Eligibility Requirements

- 20 contiguous acres of land
- 50% meets definition of forest land
- A current forest management plan that has been prepared by an approved plan writer (and registered with the DNR)
- There are no delinquent property taxes on the land

Program Requirements

- Land must be enrolled for a minimum of 8 years
- Forest management plan must be implemented during enrollment period
- Forest management guidelines must be used in conjunction with any timber harvest for forest management activities
- Allow public access if enrolling over 1,920 acres

SFIA History

2013: Report from the Office of the Legislative Auditor was released

2014: New language was first introduced

2015/2016: New language was part of the Tax Bill

2017: Tax Bill, along with SFIA, passed

A new SFIA

Minnesota Statutes Chapter 290C - Sustainable Forest Resource Management Incentive

<https://www.revisor.mn.gov/statutes/?id=290c&view=chapter>

(or Google “MN SFIA 290C”)

Some changes were effective immediately

Most changes went into effect on January 1, 2018

Current enrollees will have until July 1, 2019 to fully meet new requirements

Conservation Easements and Public Access

Landowners with less than 1,920 acres enrolled in SFIA who have land where SFIA overlaps a conservation easement will have to allow public access.

If you are not ok with this you have the option to withdraw the affected land only by **July 1, 2018**.

Conservation Easements and Public Access

What is conservation easement? (SFIA is not a conservation easement)

A conservation easement is a voluntary legal agreement between a landowner and another person or organization (the easement holder). It limits certain uses of the property to conserve natural or scenic benefits provided by the land – such as wildlife habitat, open space, etc. The land still belongs to the landowner, who retains the right to sell the land or pass it on to heirs.

Conservation Easements and Public Access

Some common holders of conservation easements in MN:

- **MN DNR** (Forest Legacy, Forests for the Future, Trout Stream, Native Prairie Bank, Wild and Scenic River, Army Compatible Use Buffer)
- **MN Land Trust**
- **Board of Soil & Water Resources (BWSR)**
 - Soil & Water Conservation District (SWCD)
- **Ducks Unlimited**
- **The Nature Conservancy**
- **Pheasants Forever**

Conservation Easements and Public Access

If you are still unsure that you have a conservation easement:

- Contact the County Recorders Office in the county where the land is located.
- Ask them if there is a conservation easement on the land.
(It should show up on the title)

Go to the [DNR SFIA page](#) for more information:

(Google “MN DNR SFIA”)

Forest Management Plans and Registration

Current enrollees must submit a copy of the full plan to the DNR for registration by **May 15, 2019** (if not already registered)

- Waiving the registration fee for current enrollees
- Failure to register your plan will result in a missed payment for 2019

Forest Management Plans and Registration

What is a forest management plan?

- Describes your land vegetation and gives recommendations to improve it based on your goals.
- Prepared by a forester who is approved by the DNR to write plans
 - Most are done by private forestry consultants
- Most common format is called a **Woodland Stewardship Plan**
- Typically 10 – 30 pages in length
- Needs to be updated every 10 years to be eligible for SFIA



WOODLAND STEWARDSHIP PLAN

Prepared for:

Landowner Name

Address 1

Address 2

Phone#

Email

Legal Description

County, Minnesota

Deed Acres: 0.0

Management Plan Acres:

2C - Managed Forest Estimated Acres:

SFIA Estimated Acres:

Prepared by:

Plan Preparer Name – id#

Address

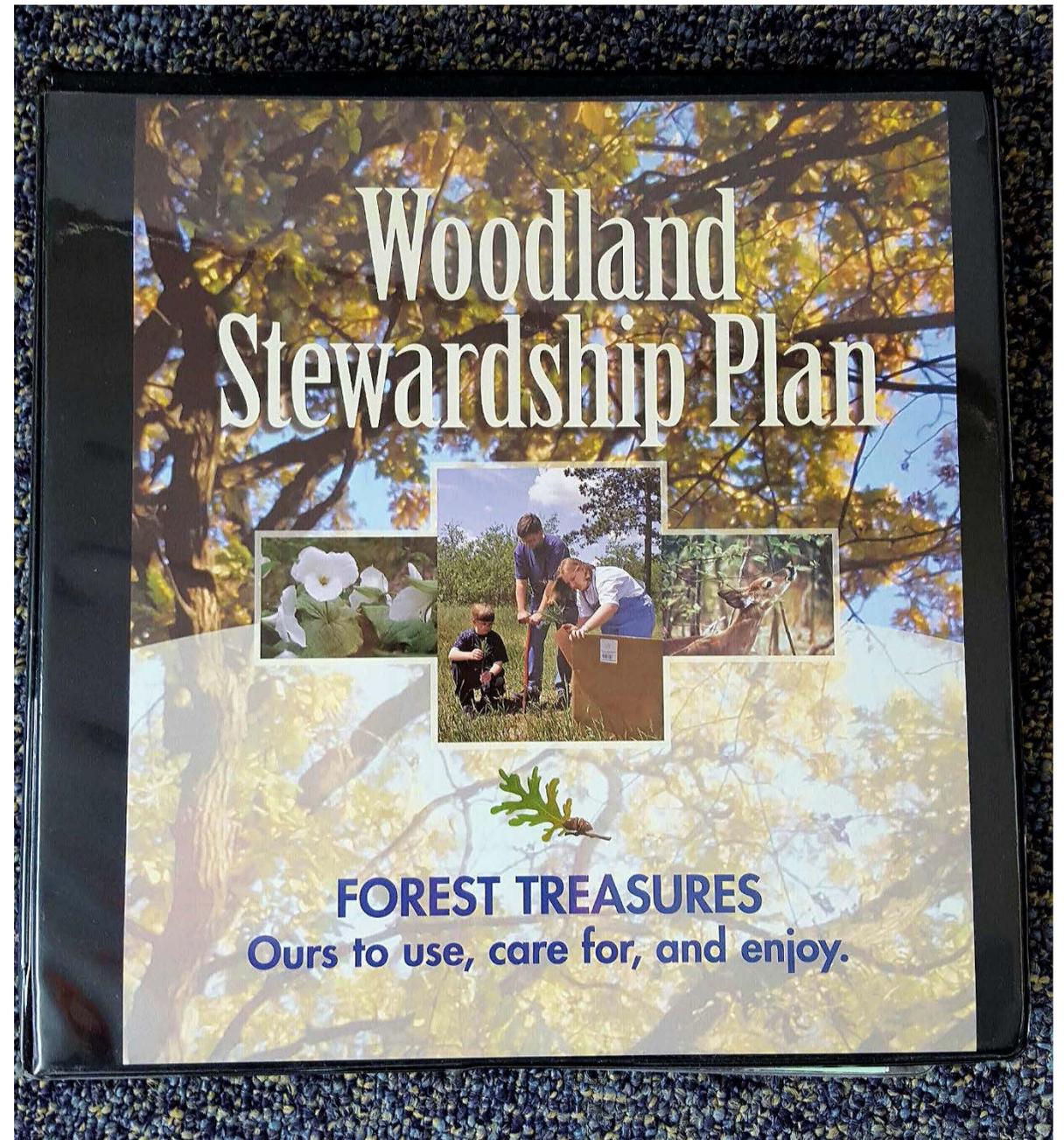
Phone

Email

Plan Date

forest stewardship goals for this property are:

- To improve wildlife habitat through forest management methods that will increase the number and diversity of wildlife species on the property, especially for white-tailed deer and ruffed grouse.
- To achieve some level of economic gain via forest products while maintaining sustainable forest management objectives.
- To use the land for recreation, especially hunting.



Forest Management Plans and Registration

What does it mean to register your plan with the DNR?

When a plan is registered, a DNR forester reviews the plan to make sure it is eligible for SFIA and meets federal and state standards. If the plan is missing information the DNR forester will work with the original plan writer to make sure you have an accurate, useful plan that is also compliant to SFIA.

Forest Management Plans and Registration

- Has been a statutory requirement for 2c Managed Forest Land
- \$50 fee to register (started with 2c)
- Voluntary for all other reasons (now required for SFIA)

Forest Management Plans and Registration

How do I register my plan?

Email a an electronic copy to: for_pfm_fsp.dnr@state.mn.us

Mail a copy to:

MN DNR Forestry – SFIA
500 Lafayette Rd
St Paul, MN 55155

Covenants

What is a covenant?

A covenant is a set of obligations or requirements placed on your land.

- Anyone who buys or inherits the land must abide by the terms of the covenant (it is a legal document).
- Recorded at the County Recorders Office

Covenants do not expire. Forest management plans do.

(In other words, even if a forest management plan expires you are still bound by the restrictions of the covenant.)

Covenants

To release the SFIA covenant restrictions on your land you must submit a written request to DOR.

After this request, it takes $\frac{1}{2}$ the SFIA covenant length to release the covenant and withdraw from SFIA.

- For example, with an 8 year covenant it would take 4 years to complete the withdrawal requirement.

(If you wanted to withdraw at year 12 you would have to provide a written request to DOR at year 8)

Overview of Changes

Joint administration by DOR and DNR

- DOR: landowner eligibility, payments, applications, and penalties
- DNR: land eligibility and monitoring

May withdraw early, without penalty, if acquiring permanent conservation easement that is at least as restrictive as the covenant.

- Effective immediately

Overview of Changes

3 covenant length options: 8 years, 20 years, and 50 years

- Payments increase along with length of covenant.

Payments are based on a complex formula that adjusts with market values and tax rates for 2c lands

- Calculated annually
- Payment cannot change by more than 10% from year to year

Overview of Changes

Estimated Payments

Covenant Length	Payment Rate (per acre)
8 years	Less than 1,920 acres enrolled: \$8.91 1,920 or more acres enrolled: \$12.33
20 years	Less than 1,920 acres enrolled: \$12.33 1,920 or more acres enrolled: \$15.76
50 years	Less than 1,920 acres enrolled: \$15.76 1,920 or more acres enrolled: \$19.18

\$7/acre floor moving forward for anyone who received a payment in 2017

Overview of Changes

Keeps requirement that land enrolled in a conservation easement, prior to May 30, 2013, are eligible for SFIA

- 8 year covenant only
- Received SFIA payment in 2017 or before: \$7.00
- New enrollees in 2017 and moving forward: \$3.43

(conservation easements funded by Reinvest in Minnesota (RIM) Reserve are not eligible for SFIA regardless of date)

Overview of Changes

Stricter penalties for covenant violations

- Build a structure = (back payments*+ interest) + (25% of the new estimated market value of the parcel due to the structure)
- Change land use = (back payments*+ interest) + (30% of the new estimated market value of the parcel due to the change in land use)

**# of years bound by the covenant or ½ of covenant length, whichever is less*

Overview of Changes

Change of land ownership

- Notify the new landowner before the sale, or transfer, of land about the SFIA covenant.
- Must notify DOR, in writing, of the new land owner within 60 days of title transfer
- DOR will notify the new land owner on how to enroll in SFIA
(the land is still bound by the covenant)

Overview of Changes

New Monitoring Program

- Starts July 1, 2019
- 10% of claimants on July 1 of each year (annually)
- DNR does the monitoring and reports the results to DOR
- May require a site visit
- Selection criteria and process to TBD

What do I need to do if I am a current enrollee? (enrolled by 12/31/2017)

No new actions are required if all are true:

1. Forest management plan is current and registered with the DNR
2. Would like to stay at an 8 year covenant length
3. No conservation easements on your SFIA land

Decide if you want to go to a 20 year or 50 year covenant length.

- Must notify DOR by May 15, 2019 (you cannot change at a later date)
- Notify DOR by July 1, 2018 if you want higher payment in 2018

What do I need to do if I am a current enrollee? (enrolled by 12/31/2017)

If unsure, check to see if your forest management plan is registered with the DNR.

- Email sfia.dnr@state.mn.us and ask if your plan is registered.

If it is not registered:

- Email all pages of your plan to the DNR at: for_pfm_fsp.dnr@state.mn.us
or
- Mail a paper copy of all pages to the DNR at:

MN DNR Forestry – SFIA
500 Lafayette Rd
St Paul, MN 55155

What do I need to do if I am a current enrollee? (enrolled by 12/31/2017)

If you can't find your forest management plan:

Contact the forester who wrote the plan and ask if they can send it to you.

- If you don't know who wrote your plan email sfia.dnr@state.mn.us. We will locate the cover page of your plan and let you know who wrote it.

If you are still unable to locate your plan, and it is not registered, you will need to contact a forester to get a new one by May 15, 2019.

- Approved plan writers are listed on the [My Minnesota Woods](#) website

Important Dates – 2017 Enrollees

2018

May 1: DOR mails out annual certification letters

July 1: Annual certification letters are due back to DOR

- You may choose a new covenant length now or wait until May 15, 2019.
- Deadline to notify DOR if you elect to withdraw land from SFIA
 - Land must be under 1,920 acres, subject to a conservation easement, and not already allow public access

October 1: DOR mails out incentive payment

- New payment rates begin

December 31: Deadline to submit a new management plan to the DNR if your plan expired in 2017.

Important Dates – 2017 Enrollees

2019

May 1: DOR mails out annual certification letters

May 15: Deadline to change covenant length to 20 or 50 years

- You cannot change covenant length after this date
- *Deadline to submit updated management plan to DNR for plans that expire before July 1, 2019*

July 1: Annual certification letters are due back to DOR

October 1: DOR mails out incentive payment

How does this affect new enrollees?

New SIFA enrollees: 2018 and moving forward

- Choose upfront if you want land in an 8 year, 20 year, or 50 year covenant
- Plan must be registered with the DNR before you application is accepted.
- New application deadline of **October 31**.

Important Dates – New Enrollees

2018

September 15: Deadline to submit forest management plan* to the DNR for registration

October 31: Deadline to submit application to DOR

- Covenant must also be recorded at the County Assessors Office

*Contact an approved plan writer several months before the September 15 deadline

Important Dates – New Enrollees

2019

May 1: DOR mails out annual certification letters

July 1: Annual certification letters are due back to DOR

October 1: DOR mails out incentive payment

How does this affect plan writers?

Current enrollees may be asking you for another copy of their forest management plan

- They can't find it, or
- Need an electronic copy

It is the enrollee's responsibility to send their plan in to the DNR

More plans will be sent in for registration

For more information visit our websites

For information on applications, covenants, and payments:

- Go to the Department of Revenue website at www.revenue.mn.us, and type SFIA into the Search box
- Email proptax.SFIA@state.mn.us with questions

For information on land eligibility, forest management plans, and easements:

- Go to the DNR website at www.mndnr.gov. Type SFIA into the Search box
- Email sfia.dnr@state.mn.us with questions

Questions?

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