

# Family Forest Stewardship:

Getting to the next  
million acres.



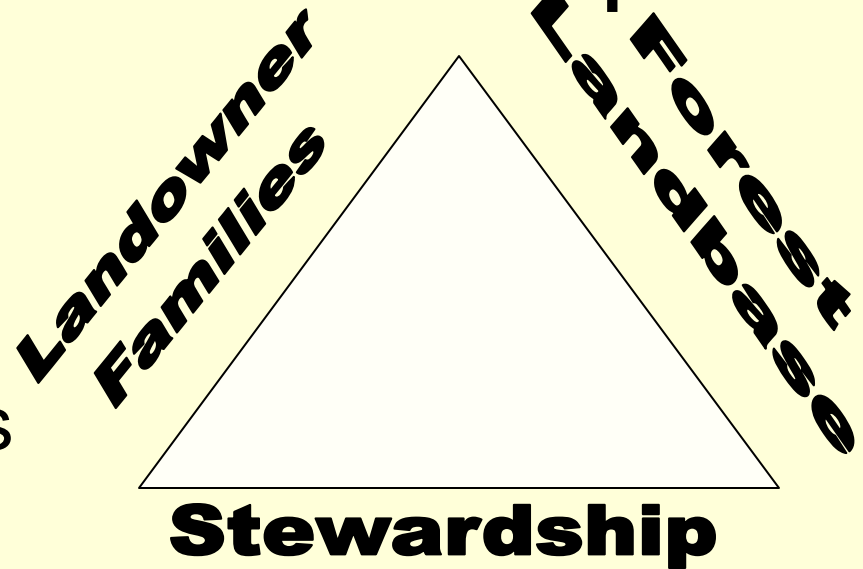
# Family Forest Stewardship

What must we do?

**Engage** Family Landowners

**Protect** the Forest Landbase

**Assure** Stewardship with competent and meaningful advice and assistance.



# Property Tax Facts

- Forest landowners rate Property Taxes as their top issue.

Melvin J. Baughman, Karen Updegraff & Juan Carlos Cervantes, 2003

- Property taxes are an inherent incentive or disincentive.
- MN has long provided property tax incentives for good forest management.
  - Tree Growth Tax Law
  - Auxiliary Forest Tax Law
  - SFIA
  - 2b

# Family Forest Stewardship

- Sustainable Forestry Incentives Act (SFIA)
  - Great program (but apparently not for most family forest owners.)
    - Actual participation levels
    - Dr. Kilgore's recent study
  - Absolutely need to make the suggested changes to
- 2b timber tax class is the place to focus

# Bad News!

- The forestry “2b” section of the MN property tax is flawed and promotes development because:
  - 1) “Unimproved” parcels must be valued at their “highest and best” use, not their “current” use.
  - 2) Rural, unimproved parcels pay the same tax “rate” as developed parcels.
    - Despite providing societal goals of clean water; open space, and habitat at low cost.
    - Even though they require very few services.

# Good News!

- The legislature, led by Senator Bakk, enacted a provision in the 2007 Omnibus Tax bill that improved most of the “bad” provisions.
  - Many of the provisions appear to come out of the 2006 Dept of Revenue’s “Rural Woodlands” report and the meeting held here last July.

# Bad News!

- The Governor vetoed the tax bill for other reasons.

# Good News!

- We now have a chance to get it perfect or very good in any case.
- Grab your handout for the details.

# 2b timber law changes to 2b vacant land

Class 2b property is (1) unplatted real estate, rural in character ~~and used exclusively for growing trees for timber, lumber, and wood and wood products;~~ (2) ~~real estate, that is not improved with a structure and is used exclusively for growing trees for timber, lumber, and wood and wood products, if the owner has participated or is participating in a cost-sharing program for afforestation, reforestation, or timber stand improvement on that particular property, administered or coordinated by the commissioner of natural resources;~~ (3) and that consists of at least ten acres, including land used for growing trees for timber, lumber, and wood and wood products, but not including land used for agricultural purposes, as defined in subdivision 23, paragraph (c).

Defines "rural vacant land" as 10+ acres with or without trees.

Meshes agricultural purposes as already defined in subdivision 23.

Big help to assessors by avoiding a hole for lands that have less than 10 acres of ag land. It also allows a forest landowner with a small field for a food plot to be eligible for the 2b class.

# Minor structure does not disqualify landowner

- ... provided that the presence of a minor, ancillary nonresidential structure as defined by the Commissioner of Revenue does not disqualify property from classification under this clause
- Inserting the Commissioner of Revenue as the source of the definition avoids any potential legal battles on what is a minor structure.

# Parcels with cabins are at least 40 acres or gov lot.

provided that the presence of a minor, ancillary nonresidential structure as defined by the Commissioner of Revenue does not disqualify property from classification under this clause and provided that any tax parcel improved with a structure that is not a minor, ancillary non-residential structure may not be split-classified for the sole purpose of this classification unless the acreage assigned to the split parcel with the structure is at least 40 acres including correctional 40's or a full government lot,

- Very important to the assessors to avoid any split-classification (breaking up a tax parcel).
- The bottom line to forest landowners who have a cabin is that the first 40 acres with the cabin could be split-classified as a new tax parcel and be taxed at the class rate of 1% like other seasonal-recreational cabins. Then rest of the property without a cabin (between 20-1,920 acres) would be eligible for the .55 tax class rate.

# Taxes for family forests with Stewardship Plans drop 45%

- ... Class 2b property has a net class rate of one percent of market value, except that property described in clause (1) has a net class rate of ~~.65~~ .55 percent
- Most important part of bill. Class rate goes down 45% from 1.0 to 0.55) for landowners willing to get a forest management plan.
- Keeping the rates even will avoid a problem for assessors by removing any need for landowners to try to move land between classes for the rate difference.

# Incentive starts at undeveloped ownerships of 20, not 10 acres.

- ... Class 2b property has a net class rate of one percent of market value, except that property described in clause (1) has a net class rate of ~~.65~~ .55 percent if it consists of no less than 20 contiguous acres and no more than 1,920 acres statewide per taxpayer
- There are some changes here from HF 2268. While a landowner with 10 undeveloped acres will still get into this 2b tax class, this provision raises the bar required to get the .55 tax incentive.
  - a) It significantly reduces the amount of tax shift for the counties.
  - b) A 20 acre minimum matches other family forest standards such as Forest Stewardship Program and SFIA.
  - c) Raising it to 20 acres assures that larger parcels, more valuable for conservation, will be targeted.
- The 1,920 statewide clarification is to assure that it is not interpreted as 1,920 acres maximum per tax parcel.

# Requires Forest Management Plans and defines standard

- ... Class 2b property has a net class rate of one percent of market value, except that property described in clause (1) has a net class rate of ~~.65~~ .55 percent if it consists of no less than 20 contiguous acres and no more than 1,920 acres statewide per taxpayer and is being managed under a forest management plan that meets the requirements of chapter 290C,
- The requirement to use a forest management plan format as stipulated in 290C (the SFIA law) is a good standard for family forest parcels.

# Requires Forest Management Plans and defines standard

- **But is a plan enough?**
- There is clear evidence that simply starting with a management plan results in significant, positive actions on the land. (U of MN; Melvin J. Baughman, Karen Updegraff & Juan Carlos Cervantes, 2003)
- Even if no plan, society benefits from clean water, clean air, wildlife habitat, open space, and raw materials.
- Landowners bear the “opportunity costs” of keeping land undeveloped.
- High taxes are a clear message that society does not value the “free” benefits it receives from undeveloped private land.

# Requires Forest Management Plans and defines standard

- Taxing undeveloped land at the same rate as developed land is a strong, but wrong economic message that society prefers landowners to develop their wild lands.
- Agricultural lands currently receive the suggested .55 incentive rate and are not required to do anything in return for their benefits.
- **But is a plan enough?**
- **YES! Because it only enhances what is right and good to begin with.**

# No double-dipping in 2b and SFIA

- ... Class 2b property has a net class rate of one percent of market value, except that property described in clause (1) has a net class rate of ~~.65~~ .55 percent if it consists of no less than 20 contiguous acres and no more than 1,920 acres statewide per taxpayer and is being managed under a forest management plan that meets the requirements of chapter 290C, but is not enrolled in the sustainable forest resource management incentive program.
- This avoids any “double-dipping” by landowners in both the 2b tax class and SFIA.

# Eliminates “highest and best use”

Subd. 33. **Classification of unimproved property.** (a) All real property that is not improved with a structure must be classified according to its current use. (b) Except as provided in subdivision 23, paragraph (b), clause (1), real property that is not improved with a structure and for which there is no identifiable current use must be classified according to its highest and best use permitted under the local zoning ordinance.

- This removes the “highest and best use” requirement from undeveloped rural lands and is desired by assessors and landowners.

# Create a Perfect Law?

- Not perfect, but it is pretty good.
- Two steps remain:
  1. No one has taken this to the key leaders.
  2. What will happen when it is passed.
    - 2,700,000 acres eligible for this law. (est.)
    - A good deal of discussion for the rest of the day should focus on finding enough professional providers.

# Family Forest Stewardship:

Getting to the next million acres.

No Problem!

We know how to engage landowners,  
We know what the land needs, and  
we have a million acres done.

