

# Family Forest Stewardship: Getting to the Next Million Acres

A proposal to address disparities in the property tax system that drive parcelization and fragmentation of Minnesota's working forests

June, 2006

*Introduction:* Participants at the Blandin Foundation's May 25, 2006 conference, Family Forest Stewardship: Getting to the Next Million Acres, agreed on a strategic vision and action plan to increase the number of acres of family forest land with Forest Stewardship Management Plans from 1.3 million today to 2.3 million by 2015. [Complete conference proceedings are available at the Blandin Foundation website.](#)

*This white paper provides additional details, developed by Saint John's Arboretum Director Tom Kroll, on one of the action plan's key recommendations - to redress the ad valorem property tax system's inherent bias to overtax undeveloped land in comparison to developed land with respect to the public services provided to their owners.*

*This proposal is one of four recommendations proposed by the Blandin Foundation's Vital Forests/Vital Communities Initiative, endorsed by conference participants, and by the Forest Stewardship Committee of the Department of Natural Resources. At its July 21 meeting, the Stewardship Committee commended the [vision and action plan](#) to the Minnesota Forest Resources Council for consideration and endorsement.*

*Vital Forests/Vital Communities staff and Advisory Board are currently exploring opportunities to promote broader discussion and consideration of these ideas among policy makers and people who care about Minnesota's forests. To participate or learn more, please contact Bernadine Joselyn, Director, Public Policy & Engagement, Blandin Foundation, [brjoselyn@blandinfoundation.org](mailto:brjoselyn@blandinfoundation.org); 218.327.8728.*

Successfully improving stewardship Family Forest land will require meeting all of the following issues:

- Engaging family forest landowners
- Protecting the forest land base from development and parcelization
- Assuring stewardship with competent and meaningful advice and assistance.

An incredible opportunity to achieve progress in all three of these issues is provided in the property tax modifications suggested by the MN Department of Revenue in its February 2006 [Assessment and Classifications Practices Report – Rural Woodlands](#). It will take a wide variety of approaches and tools to achieve 2,300,000 acres of forest stewardship by 2015, but the concepts suggested in the Revenue report are so important to this goal, they must be embraced and promoted by the forestry community this year.

## **Summary of the [Assessment and Classifications Practices Report – Rural Woodlands](#).**

- Create a new property tax classification called “Rural Vacant land”
  - Include 2b timber land
  - Undeveloped Seasonal Recreational
  - Minimum size to include is 10 acres
- Create a rate for this new class that reflects the lower demand for services that undeveloped land requires. (A rate is not suggested, but undeveloped Ag land is now at 55% of the rate currently charged for 2b and Seasonal Rec.)
- Eliminate the requirement to assess “unimproved” land at the “highest and best use”

## **Proposed Modifications to the Revenue Report ideas that will further improve the stewardship of Family Forests**

- Establish the class rate for Rural Vacant Land at 0.55%
  - Similar undeveloped Ag land is now set at 0.55%.
    - Keeping them synchronized will eliminate class competition.
- Raise the minimum eligible acreage from 10 acres to 40 acres. (Or a government lot of nearly 40 acres created by a surveyor’s correction line as described on page 9 of the report).
  - This will prevent developers from maintaining an open space tax benefit as they adversely parcelize a 40 into 10 acre lots.
  - Parcels under 40 acres are honestly more suited to Seasonal recreational than open space for habitat and forestry.
    - An exception maybe valid and considered for “grandfathering” if the small parcel was adjacent to a larger tract whose land use was permanently secured. E.g. A 20 acre undeveloped private tract adjacent to a State Park.
  - This will minimize the reduction on the state general tax even more by keeping more parcels in the Seasonal recreation class.
- Designate unimproved parcels under 40 acres into a specific class such as Seasonal Rec.

## **Proposed Additions to the Revenue Report that will further improve the stewardship of Family Forests**

- Create another new class called “Vacant Rural Conservation Land” hereafter called the “Conservation” class. (This is in addition to the “Vacant Rural Land” class suggested by the Revenue Report.) Mimic the “Vacant Rural Land” class with the additional requirements:
  - A permanent conservation easement or a temporary easement of at least 8 initial years and 4 rolling years thereafter.
  - A commitment to conservation based on the existence of a land use stewardship plan prepared by a qualified natural resource professional and covering multiple aspects of the ecosystem.

- A demonstrated commitment to Best Management Practices when performing activities on the land using the Voluntary Site-Level Forest management Guidelines.
- Require public access for hunting after the first 1,920 acres. (Especially if industrial lands are eligible.)
  - Basically this follows the Sustainable Forestry Incentive Act guidelines.
- Establish a class rate for the “Vacant Rural Conservation Land” class at .15%.
  - Rate is based on the reduced development options available to the landowner and the long-term ecological and societal benefits provided by the additional provisions.
    - A study to demonstrate the value in this range would be useful.

**Securing long-term funding for implementing stewardship in conjunction with creation of the “Vacant Rural Land” and “Vacant Rural Conservation Land” classes.**

- Create a dedicated fund of user fees to be used exclusively for the planning and implementation of stewardship on privately owned, non-industrial, family forest lands.
  - This user fee will be levied as a dedicated state property tax surcharge on lands enrolled in the “Vacant Rural Land” and “Vacant Rural Conservation Land” classes in counties designated as substantially forested by the Commissioner of Natural Resources.
  - This user fee shall only be used in those designated counties, but may be used on any family forest land in that county.
  - The Commissioner of Natural Resources shall set guidelines for use and distribution.
  - The fee would be about \$1.00 per acre enrolled per year and would generate between \$2-2.5 million per year.
    - If this fee were established in coordination with the “Vacant Rural Land” and “Vacant Rural Conservation Land” classes, it would barely be noticed in the overall reduction in property taxes the landowners would receive.
    - As a fee, the landowners would be charging themselves to establish a fund that would benefit landowners like themselves.

**Issues to be discussed and resolved**

- How much research and study is needed to justify the Vacant Rural Land class rate at 0.55%? Is just copying Ag land good enough?
- How much research and study is needed to justify the Vacant Rural Conservation Land class rate at 0.15%?
- Do these new classes apply to all non-agricultural vacant rural land or just timberland?

- If we limit the classes to just timber land, the assessors have to have some rule about the minimum percent of timber acres required – e.g. 10%, 50%, 100% - and that creates a headache for the assessor.
- (I think it is smart to allow in wetlands, native prairies, and perhaps CRP land that is coming out of contract, but will not be actively farmed. E.g. I think those acres in RIM & CREP easements should be allowed into the new “Conservation” class.)
- Are other BMP’s needed if non-forest land is allowed into the proposed “Conservation: class?
- Public access is always an issue in these discussions. In general, requiring public access is a sure way to prevent enrollment of most family forest lands. I think it should not be required for family forests.
  - The revenue report suggested that hunting and hunting leases were not an issue.
  - The Sustainable Forestry Incentive Act required no access for the first 1920 acres enrolled. That is a good model.
- Is this law appropriate for both family forests and industrial forests? Or is the SFIA the most appropriate vehicle for industrial forests, especially in light of the political discussion that always surrounds industrial forests?
- It would be useful to run a spreadsheet by county that compares the likely effect of the tax shift to developed land if undeveloped land is more fairly taxed.
  - Would the Dept. of Revenue be able to run this kind of analysis?
- One of the largest hurdles to overcome could be an “envy factor.” This relates to the perception (especially in northern counties with a high number of non-resident landowners) that “rich people from Minneapolis” buy the local land base and effectively shut out local users and now those same “rich” people are going to get a “tax break” at the expense of local residents.
  - The truth is that property taxes should be based on the land and not the individual landowner.
  - Preserving larger wooded parcels (regardless of who owns them) benefits the overall habitat that the locals enjoy. Additionally, the locals usually dislike the effect of the 5-20 acre cabin owners even more than the non-residents who own large parcels.
  - Local people also own land for hunting and recreation.
- There is also the need to involve the county auditors in the discussions.

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