PROPERTY TAX

Sustainable Forest Incentive Act (SFIA) repealed

March 13, 2014

	Yes	No
DOR Administrative Cost/Savings		**X**

Department of Revenue
Analysis of H.F. 2782 (Hansen) as introduced

	Fund Impact			
	FY2014	**FY2015**	**FY2016**	**FY2017**
	(000's)			
Repeal SFIA Payment	$0	$0	$5,650	$5,940
Property Tax Refund Interactions	$0	$0	($50)	($60)
Total General Fund	$0	$0	$5,600	$5,880

Effective the day following final enactment.

EXPLANATION OF THE BILL

Under current law, land enrolled in the sustainable forest resource management program is eligible for an annual per acre incentive payment of $7.00 per acre.

The bill would repeal the SFIA program and incentive payment. The final payment would be made for CY 2014 and all landowner obligations under the program would be terminated the day following final enactment.

REVENUE ANALYSIS DETAIL

- There were approximately 743,000 acres enrolled in the SFIA program to receive an incentive payment for FY 2014.
- Under the proposal the final year of incentive payments would be FY 2015. State general fund savings would be realized beginning in FY 2016.
- Land owners no longer in the SFIA program would be eligible for property classification as 2c managed forest land and a class rate of 0.65% (up to 1,920 acres). The lower class rate would reduce property taxes for land owners and shift taxes onto all other property types, including homesteads.
- The increased property tax burden on homesteads would increase state-paid homeowner property tax refunds beginning in FY 2016, resulting in a cost to the state general fund.

Number of Taxpayers: Over 2,300 landowners enrolled in the SFIA program.

PROPERTY TAX BENCHMARKS (Minn. Stat. § 270C.991)

Transparency, Understandability, Simplicity & Accountability	Neutral	
Efficiency & Compliance	Neutral	State administration of SFIA program reduced. Local administration of lands classified as 2c increased.
Equity (Vertical & Horizontal)	Neutral	
Stability & Predictability	Neutral	
Competitiveness for Businesses	Decrease	Minnesota businesses owning land in the SFIA program would likely have increased costs if no longer receiving an incentive payment.
Responsiveness to Economic Conditions	Neutral	

The bill is scored on a three point scale (decrease, neutral, increase) for each principle in comparison to current law.

Source: Minnesota Department of Revenue
Property Tax Division - Research Unit
www.revenue.state.mn.us/research_stats/pages/revenue-analyses.aspx

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