

# Recent Efforts by States to Incentivize Working Forests

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This paper is part of a series of discussion papers written to provide background information on salient issues identified as important by participants at the *Saving Washington's Working Forest Land Base* forum in November 2004.

## I. Introduction

Many states are using property tax reductions and the purchase of conservation easements to encourage landowners to maintain forestland and ease development pressures. This summary excludes those programs. A few states have implemented, or are considering, additional incentives for working forests. At least two states (Maine and Virginia) are conducting studies to explore alternative approaches. Meanwhile, in 2001, Minnesota began a program that provides direct payments to landowners who agree to keep their forestland undeveloped for at least eight years, while Oregon recently approved the creation of “community forest authorities” that can levy bonds to finance the purchase of community forestlands. A short summary of these developments by state follows. This is the result of an exhaustive survey of the states in the Fall of 2005.

## II. Maine

Maine has been studying the issue of protecting forestland and the forest products and manufacturing industry. A handful of bills from the most recent state legislative session address these issues, including one that authorizes a study of economic incentives for long-term forest management. Summaries of five bills, two of which passed, two of which died and one of which has been carried over to the next session, are below.

### 1. Enacted Bills

**LD133:** A resolution requiring the Commissioner of Conservation to conduct additional research on economic incentives to support long-term forest management and sound silviculture and recommend legislation to the 2<sup>nd</sup> session of 122<sup>nd</sup> Legislature. The study is to look at several options for encouraging long-term management, including capital gains and property tax reductions, and is due to be completed by January 2006. The resolution was signed by the governor and is apparently going forward.

Bill information:

<http://janus.state.me.us/legis/LawMakerWeb/externalsiteframe.asp?ID=280014706&LD=133&Type=1&SessionID=6>

Bill text:

<http://janus.state.me.us/legis/LawMakerWeb/externalsiteframe.asp?ID=280014706&LD=133&Type=1&SessionID=6>

**LD1305:** An Act to Encourage Long-term Holding of Maine Timberland and Sustainable Forest Management—this was signed into law and provides income tax deductions for individuals/corporations for the taxable gain on the sale of eligible timberlands held for at least 10 years beginning on or after 1/1/2005 (that is, the first deductions could be taken in 2015). This is an incentive for holding lands, but doesn’t provide capital for land acquisition or ongoing management.

Bill and amendment information and text links:

<http://janus.state.me.us/legis/LawMakerWeb/externalsiteframe.asp?ID=280016590&LD=1305&Type=1&SessionID=6>

## 2. Pending bills

**LD1065:** Act to promote economic development and sustainable energy

This bill is being carried over to the next session, and includes biomass generators as a renewable energy source, which was mentioned in the forest products study. This bill only encourages the development of these sources (i.e., no funding yet).

Text:

<http://janus.state.me.us/legis/LawMakerWeb/externalsiteframe.asp?ID=280016013&LD=1065&Type=1&SessionID=6>

## III. Minnesota

Minnesota's Sustainable Forest Incentive Act provides payments to landowners (individuals, corporations or partnerships) with 20 or more contiguous acres of land in Minnesota with at least 50% forested. The program works similarly to many of the property tax reduction programs in other states, with owners required to have an active forest management plan written by a DNR-approved plan writer within the previous 10 years, a minimum 8-year enrollment period, and no development allowed.

The payments are calculated annually on a statewide, per-acre basis using three formulas based on timberland property tax, with the formula that provides the largest payment being used. The minimum payment per acre is \$1.50.

There is no maximum number of acres that can be enrolled, but any ownership of more than 1,920 acres must allow "year-round, nonmotorized public access to fish and wildlife resources, except in areas within one-fourth mile of a permanent dwelling or during periods of high fire danger."

Other program requirements include:

- No delinquent property taxes when land is enrolled, and taxes remain current.
- Timber harvesting and forest management practices must meet the guidelines created by the Minnesota Forest Resources Council.
- The land cannot be enrolled in the Conservation Reserve Program, Conservation Reserve Enhancement Program, Reinvest in Minnesota program, the Green Acres program or the AgPreserves program.
- Enrolled acres cannot be used for residential or agricultural purposes.

To enroll the land, an owner signs a covenant with the county (or counties) in which it is located not to develop the land. If the land is sold within eight years, the covenant continues to apply to the new owner.

An owner can request cancellation of the enrollment in the program, but the cancellation will not take effect for four years. If an owner does not complete eight years of enrollment, a penalty equal to all payments received for the previous four years, plus interest, is assessed.

SFIA fact sheet:

[http://www.taxes.state.mn.us/taxes/property/publications/fact\\_sheets/html\\_content/sust\\_forest\\_fact\\_sheet.shtml](http://www.taxes.state.mn.us/taxes/property/publications/fact_sheets/html_content/sust_forest_fact_sheet.shtml)

## **IV. Oregon**

Oregon in 2005 enacted a Community Forest Authority bill, which will allow municipalities to form community forest authorities with the power to issue tax-exempt bonds or other revenue obligations. The bonds will then be used to finance the purchase of “community forestland,” which could be used for recreation, timber and other uses. Revenue from the timber and other land uses would then be used to pay off the bonds.

Some details of the law:

- Community forestlands are defined as “private lands that are zoned and permanently managed for commercial forestland use and any interest in those private lands, including related roads or other improvements financed by a community forest authority.”
- An authority is created by a city/county resolution describing its structure. A CFA board of directors is required to have between 5 and 11 members, with at least one-third of the directors representing conservation interests and at least one-third representing business interests. At least one director must be a current member of the governing body that created the CFA.
- Two or more CFAs can act jointly in acquiring community forestlands. However, a municipality must get written consent from the appropriate government if it wants to purchase lands outside of its own municipal boundaries.
- Excess earnings from a CFA are returned to the municipality that created the authority.
- The authority can lend money to a nonprofit corporation, which would then purchase and manage the lands.

Since the law was just enacted in July, no CFAs have yet been formed, and the Department of Forestry has not been directly involved in any implementation actions. Some work has commenced toward creating an authority in central Oregon, near Bend, to purchase former Crown Pacific forestlands.

## **V. Virginia**

Virginia has conducted studies over the past two years on incentives for preserving forestland, with a focus on non-industrial private landowners.

The initial study, conducted in 2004, included public meetings and focus groups, based on which the Virginia Board of Forestry (which conducted the study) has made several recommendations for changes to Virginia law and policies. These were:

- Institute a uniform statewide land-use taxation program.
- Increase funding for the Virginia Land Conservation Foundation to acquire forest conservation easements.
- Create a governor's commission on forest education and outreach.
- Fully fund the Reforestation of Timberlands Program (which uses a forest products tax to fund incentives for pine planting).
- Provide funding for six conservation positions in the Department of Forestry.
- Provide funding for a further study on a voluntary, statewide forest protection program, study the impact of local ordinances on forestland management and conservation, and study the hardwood resource.

A second portion of the study involved looking at what other states are doing, and the last 15-20 pages of the report include nice summaries of these findings. Virginia points particular attention to Washington's Forest Riparian Easement Program and mentions that in their public hearings, small forest landowners had complained about the financial burden resulting from their inability to harvest near water bodies.

This year, following the recommendations in the initial study, the Virginia Board of Forestry began a second phase, the results of which have been released in draft form, with a public comment period lasting through Nov. 15. The particular focus of this study was the effect of local ordinances on the ability of non-industrial private landowners to manage their forestland. The draft study recommendations are:

- Institute non-perpetual "land protection agreements" to preserve forestland (to be called the Virginia Rural Landscapes Protection Program). This would involve an annual payment, possibly similar to Minnesota's program, with funding coming at least in part from private contributions. The draft report envisions setting up "resource value groups" of interested stakeholders (including public agencies and private/nonprofit groups) to help set priorities for and fund this program.
- Create separate "farm" and "forestry" categories with independent funding within the Virginia Land Conservation Foundation funding program.
- Support the continuing role of the Virginia Conservation Tax Credit in increasing Virginia Conservation efforts.
- Amend the Right to Practice Forestry Act (it is not clear in the draft report exactly how the law would be amended, but would apparently deal with streamlining local ordinances for more consistency).
- Adopt a statewide use-value taxation rate for agriculture and forestry lands

The study includes a county-level survey of stakeholders and interviews with county planners, the results of which are not included in detail in the draft report.

## Study Links

Senate Joint Resolution 75 study on the provision of incentives to preserve forest land in the Commonwealth of Virginia (2004)

<http://www.dof.virginia.gov/resources/pub-VDOF-2004-SJR75-Final-Report.pdf>

A continuing study on the provision of incentives to preserve forest land in the Commonwealth of Virginia—draft, Sept. 8, 2005

<http://www.dof.virginia.gov/info/resources/sjr367draft.pdf> (PDF)

<http://www.dof.virginia.gov/info/resources/sjr367draft.doc> (Word)