MINNESOTA FOREST INDUSTRIES
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Senator Ann Rest, Chair
Minnesota Senate Tax Committee
328 Capitol
St. Paul, MN 55155-1606

Subject: Opposition to SF2374: Reducing Sustainable Forest Incentive Act (SFIA) Payments

Dear Minnesota Senate Tax Committee Chair Rest,

Minnesota Forest Industries strongly opposes those elements of Senate File 2374 that reduce annual Sustainable Forest Incentive Act (SFIA) payments to landowners by 30% from Fiscal Year 2026 to 2029. The proposed change violates Minnesota Statutes 290C.07(b), contravenes the contracts that program enrollees signed with the State, runs counter to the Walz Administration's climate action agenda, and jeopardizes the purpose of the program.

The State of Minnesota has gone to great expense over the years to ensure that forests remain forested and working for the benefit of the people. We have funded large and small conservation easements, purchased timber company lands, funded One Watershed One Plan projects, and enacted 2c Managed Forest Land Tax status, and SFIA as private landowner incentives. The people of Minnesota understand how important it is to maintain forested lands for their social, economic and ecological values and have always shown a willingness to provide funding for working forests.

The SFIA program succeeded the Tree Growth Tax Law in providing private landowners tax relief for managed forests. The landowners sign 8-, 20-, or 50-year covenants on their land that transfer to all subsequent landowners. Therein they pledge to not subdivide the land, not develop on the land, and to follow a Forest Stewardship Plan prepared by a forestry professional. For their part, the state pays them annually using a formula based on the average tax rate, estimated land value, and covenant length.

At the time of SFIA development people were concerned that the payment rates would be dramatically reduced when future legislators faced budget challenges. They knew that they couldn't enforce the landowners' long-term commitments without a similar commitment on the part of the State. That is why 290c includes language stating the payments will not fluctuate by more than 10% annually and cannot go below the 2017 level.

Changing those provisions in SF2374, and simultaneously reducing payments by 30%, completely erodes landowners' trust in State Government. This will do great harm to future forest conservation efforts. And the opt-out clause will certainly result in some landowners taking the opportunity to cancel their covenants, allowing them to keep the funds they received to date and now subdivide the land or develop it upon it. This jeopardizes the entire purpose of this highly successful program.

Minnesota's forests are one of the major solutions to climate change. Trees absorb atmospheric carbon and convert it into wood. They annually absorb 15% of all carbon emissions, making forestry the only carbon negative economic sector. Actively growing working forests absorb more carbon than old forests. The Governor's Climate Action Framework, the DNR's Forests and Carbon in Minnesota report to the

Legislature, and the Minnesota Forest Resources Council's Climate Change and Minnesota's Forests reports ALL urge us to keep forests in place, increase the area of forests, and keep working forests working. SFIA is the tool to accomplish that on private lands. Therefore, SF2374 runs completely counter to the Administration's own efforts to address climate change.

Forest products is the 5th largest industry in Minnesota, employing 71,650 people, with $25.3 billion in gross sales and paying $282.7 million in state taxes. On behalf of the industry, I urge you to remove the SFIA payment reduction (Sections 4 and 7) from SF2374 .

Rick Horton
Executive Vice President
Minnesota Forest Industries