

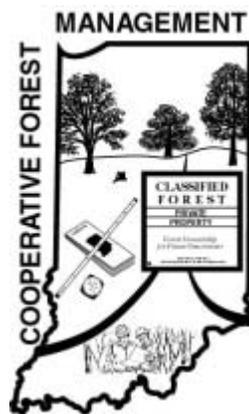
## Tax Strategies to Conserve and Restore Watershed Forests



### BACKGROUND

Prior to European settlement, forests covered 90 percent of Indiana. Clearing for agriculture caused forests to dwindle to an all-time low of 6 percent by 1900. Through proper management, incentives, and enacted laws to protect forests, forestland coverage in the State rose to 20 percent by 2000. Even with this good news, the Indiana Division of Forestry struggles to maintain forests in the State. Forests are continually being converted to housing and commercial development as more people move out of the city into rural areas. One solution in addressing this problem is to work with landowners to encourage them to protect and increase forestland acreage by enrolling in the Classified Forest Program.

The Indiana Classified Forest Program, referred to as the forest property tax law, is designed to keep Indiana's private forests intact. The Forest Service grant will help the State broaden outreach efforts to landowners in critical state watersheds, resulting in an increase in classified forest enrollment, the use of conservation easements, and estate tax planning. The State defines a classified forest as an area of 10 acres or more, that supports a growth of native or planted trees, which have been set aside for the production of timber and wildlife, the protection of watersheds, or the control of soil erosion. The Classified Forest Program has the backing of the 1921 Classified Forest Act and requires the classified forest owner to follow minimum standards of good timber management as prescribed by the Department of Natural Resources. Landowners follow a written management plan approved by the district forester. The Department of Natural Resources (DNR), Division of Forestry, administers the program.



Once enrolled in the program, landowners receive a 95 percent property tax break, an annual informational newsletter from the DNR, forestry literature, and free inspections by a professional forester. Foresters post the property as a Classified Forest and submit an annual report of activities occurring on the property.

### LOCATION

This project is being implemented statewide with extra emphasis in watersheds identified by the State as high priorities for restoration.

### ISSUES BEING ADDRESSED

Forestland is being lost to development throughout the State. The project will encourage forest landowners to keep their lands in forest use by making them aware of the tax breaks offered in the Classified Forest Program.

### GOALS

The project will increase the amount of forestland enrolled in the State's forest property tax law by increasing the number of landowners enrolled in conservation easement programs. When the project is completed, it will have met or surpassed a variety of goals.

- Develop/enhance local partnerships to promote the program.
- Recruit 2,500 acres into the Classified Forest Program.
- Develop new forest stewardship plans.
- Develop publications on tax strategies to conserve forestland.
- Add tax strategies to the consolidated forestry web site.
- Enhance web site water quality content and accessibility.
- Develop publications on conservation practices to protect water quality.
- Cross train cooperating agencies on forest retention programs and forest water quality practices.
- Develop and distribute a forestry newsletter to program participants and collect landowner activity reports.

### METHODOLOGY

The project has three main components:

- 1) Secure voluntary conservation easements and property tax reductions with forest landowners in priority watershed counties through land trusts and the Classified Forest Program.

Forest Stewardship plans will be prepared for all enrolled landowners. Properties will be inspected every 5 years to monitor stewardship compliance and update stewardship plans.

Since 1999, the Northeastern Area and the Northeastern Area Association of State Foresters have sponsored a cooperative challenge grants program to promote watershed health and restoration through the conservation, restoration, and sound stewardship of trees and forests.

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Promotional efforts, such as brochures, a web site, news releases, and forestry field days will occur. This will utilize State and local partnerships to distribute information and recruit lands into the program.

2) Conduct training with cooperating agencies on forest tax strategies, forest watershed values, and water quality practices.

3) Develop a consolidated web site for the Indiana forestry community through the Woodland Steward Institute.

The web site [www.Inwoodlands.org](http://www.Inwoodlands.org) will feature tax strategies, conservation easement programs, and forest stewardship practices, such as BMPs to conserve, protect, and enhance watershed forests. The site will be advertised through a variety of sources, including the Woodland Steward, a publication for forest landowners whose circulation exceeds 20,000. The web site will also utilize the tax expertise of Dr. William Hoover from Purdue University to develop tax strategies, publications, and web site features.

## OUTCOMES/ACCOMPLISHMENTS

- Enrolled approximately 11,000 acres of productive forestlands in the Classified Forest Program for the purpose of watershed protection, stewardship, and the benefits of healthy forests.
- Developed materials and information including a web site on tax strategies for forest conservation.
- Worked with local partners to develop the Whitewater Valley Land Trust in East Central Indiana to facilitate future conservation easements.

## PARTNERS

- **Woodland Steward Institute** — A not-for-profit consortium of 11 conservation groups, has helped develop a web site and written materials. The Institute includes Purdue University, Hoosier National Forest, Indiana Association of Consultant Foresters, Indiana Hardwood Lumberman's Association, Indiana Forest and Woodland Owners Association, Indiana Tree Farm Committee, Indiana Society of American Foresters, Indiana DNR Division of Forestry, Indiana League of Resource Conservation and Development Councils, and Indiana Forest Industry Council.
- **White Water Valley Land Trust** — Builds partnerships in watersheds modeled after other successful Indiana efforts. Consultant foresters are to promote watershed forests and deliver technical assistance.

## FUTURE PLANS

Indiana DNR is currently developing a PowerPoint program on tax strategies, an extension publication on

conservation easement, and a brochure on forest conservation options.

Indiana DNR will enroll 480,000 acres in the State's forest tax program by 2005. They will also continue the development of working forests, conservation easements, and provide all land trusts with models of working forest conservation easements.

The Indiana DNR is developing enhanced outreach that will result in new Forest Stewardship Plans covering 5,000 acres.

New and effective publications encouraging forest retention and stewardship are still under development.

An up-to-date web site containing forestland conservation information, tax strategies, easement options, forest and water quality news, and more is still ongoing.

Indiana DNR will co-sponsor a conference for natural resource managers. It will focus on forestland use and strategies for conservation.

## CONCLUSION

The project has increased the number of acres enrolled in the Classified Forest Program and helped to stimulate a higher level of awareness and action on forestland protection. In the next few years, property taxes will be raised; therefore, there will be more emphasis and interest in the Classified Forest Program. A high level of awareness of the program will be critical.

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