

Ontario Managed Forest Tax Incentive Program (MFTIP) Guide

Updated January 2006



The Ontario Forestry Association and the Ontario Woodlot Association help the Ministry of Natural Resources deliver the MFTIP. Copies of this publication are available at no charge from the associations or from your local office of the Ministry of Natural Resources.

Ontario Forestry Association

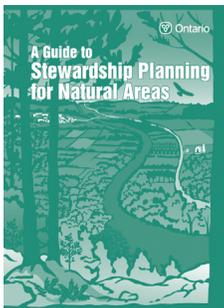
200 Consumers Road, #107
North York, ON M2J 4R4
Telephone: (416) 493-4565
Toll-Free: 1-800-387-0790
Fax: (416) 493-4608
E-mail: mftip@oforest.on.ca
Internet: <http://www.oforest.on.ca>

Ontario Woodlot Association

R.R. #4, 275 County Road 44
Kemptville, ON K0G 1J0
Telephone: (613) 258-0110
Toll-Free: 1-888-791-1103
Fax: (613) 258-0207
E-mail: info@ont-woodlot-assoc.org
Internet: <http://www.ont-woodlot-assoc.org>

On peut obtenir un exemplaire gratuit de la présente publication à l'adresse ci-dessus.

Find the Ministry of Natural Resources on-line at: <http://www.mnr.gov.on.ca>
Visit the Ministry of Natural Resources Store on-line at: <http://themnrstore.mnr.gov.on.ca>



NOTE: Applications for the MFTIP must include a Managed Forest Plan. The planning framework and forms for preparing a plan are found in *A Guide to Stewardship Planning for Natural Areas*. You can request a copy from either the Ontario Forestry Association or the Ontario Woodlot Association. Contact information is found above.

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Note: MFTIP forms are provided as a pullout section in the middle of this publication.

WHAT'S NEW IN THIS GUIDE

There have been a number of changes to the MFTIP since the last version of the *A Guide to... The Managed Forest Tax Incentive Program (Revised January 2000)*. The major changes are listed below along with a reference to where additional information may be found in the 2006 guide.

Planning forms: The planning framework and forms for preparing a Managed Forest Plan are found in *A Guide to Stewardship Planning for Natural Areas*. To order a copy contact one of the associations on page 5.

Assessment of properties in the MFTIP: The Municipal Property Assessment Corporation (MPAC) can answer questions about how the MFTIP will change your property assessment. See page 5 for contact information.

Open areas: The definition of eligible open area has changed to better recognize the diversity of Ontario's forests. See page 6 for details.

Application deadline: The application package must be submitted by June 30 to have property taxes changed for the following year. See page 7 for details on submitting an application package.

Plan period: The plan period has been increased from 5 to 10 years.

Five-Year Progress Report: You must complete and submit a *Five-Year Progress Report* by July 31 of your fifth year in the MFTIP. See page 10 for details.

Sale of properties: Purchasers who want to keep a property in the MFTIP must have their plan approved by a Managed Forest Plan Approver. See page 11 for information on buying and selling MFTIP properties.

Ineligible properties: Information on ineligible properties is referenced on the back of the application form. Details are in corresponding sections of this guide and on page 11.

INTRODUCTION

Certain forestlands in Ontario may be privately owned, but they benefit all Ontarians. The Ontario Managed Forest Tax Incentive Program (MFTIP) recognizes the importance of these lands. The goal of the MFTIP is to bring greater fairness to the property tax system by valuing forestland according to its current use. The program is designed to increase landowner awareness about forest stewardship. This guide contains information on how to enter the MFTIP and the program's ongoing administrative requirements.

Landowners who apply and qualify for the program have the eligible portion of their property classified and assessed as Managed Forest under the Managed forests property class. The eligible land is taxed at 25 percent of the municipal tax rate set for residential properties.

In some parts of the province where property taxes are relatively low, the savings from the MFTIP will not be as great as in areas where property taxes are higher. If you decide that the property tax incentive is not of interest, you are encouraged to review *A Guide to Stewardship Planning for Natural Areas* to learn more about land stewardship and the benefits of good forest management.

QUESTIONS ABOUT THE MFTIP

The Ontario Forestry Association (OFA) and the Ontario Woodlot Association (OWA) help the Ministry of Natural Resources (MNR) deliver the MFTIP. Both associations can tell you more about the program and provide you with a copy of *A Guide to Stewardship Planning for Natural Areas*. Throughout this guide, the OFA and the OWA are referred to as "the associations".

Ontario Forestry Association

200 Consumer Road, #107
North York, ON M2J 4R4
Telephone: (416) 493-4565
Toll-Free: 1-800-387-0790
Fax: (416) 493-4608
E-mail: mftip@oforest.on.ca
Internet: <http://www.oforest.on.ca>

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R.R. #4, 275 County Road 44
Kemptville, ON K0G 1J0
Telephone: (613) 258-0110
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Internet: <http://www.ont-woodlot-assoc.org>

Nota: *Pour obtenir des services en français, communiquez avec l'Ontario Woodlot Association.*

QUESTIONS ABOUT PROPERTY ASSESSMENT

The Municipal Property Assessment Corporation (MPAC) assesses property in Ontario. MPAC can answer questions about how the MFTIP will change your property assessment.

MPAC Head Office

1305 Pickering Parkway
Pickering, ON L1V 3P2
Toll-Free: 1-866-296-MPAC (6722)
Internet: <http://www.mpac.ca>

MFTIP ELIGIBILITY REQUIREMENTS

The annual application deadline for the MFTIP is June 30, so it is a good idea to start preparing your application package early in the year.

ELIGIBLE LANDS

The following criteria must be met for a property to be eligible for the MFTIP.

The property is in Ontario

The property is owned by:

- a Canadian citizen(s) or permanent resident(s);
- a Canadian corporation, partnership or trust; or
- a conservation authority.

The program application has more information on this requirement.

The forest:

- covers at least four hectares (9.88 acres) excluding residences; and
- is on one property with one municipal roll number.

The forest includes a minimum of:

- 1,000 trees of any size per hectare (400 trees per acre); or
- 750 trees per hectare (300 trees per acre) measuring more than 5 centimetres (2 inches) in diameter; or
- 500 trees per hectare (200 trees per acre) measuring more than 12 centimetres (5 inches) in diameter; or
- 250 trees per hectare (100 trees per acre) measuring more than 20 centimetres (8 inches) in diameter.

The diameter measurements of trees are taken 1.3 metres (4.5 feet) above the ground.

Open areas:

On an eligible property, some area with less than the minimum number of trees may be entered into the program:

- *natural areas*, such as forest openings or abandoned farm fields. No more than ten (10) percent of the total eligible forested area, by roll number, may be entered into the MFTIP under this category.
- *natural areas that could not support trees through normal forest management activities*. This includes swamps or beaver floods, land without enough soil to grow trees

and open water. No more than twenty-five (25) percent of the total eligible forested area, by roll number, may be entered into the MFTIP under this category.

INELIGIBLE LANDS

Property is not eligible for the MFTIP if:

- it is subject to a registered plan of subdivision;
- it is licensed under the *Aggregate Resources Act*, or is zoned for aggregate extraction (gravel pits) in areas outside the jurisdiction of the *Act*; or if
- it is owned by the municipal, provincial or federal government (that pay grants in lieu of taxes).

On eligible properties, residences and landscaped areas are not eligible for the MFTIP. At least one acre is deducted for residences or a group of buildings as defined by MPAC. There is no area deduction for outbuildings used for forestry purposes.

Land used for such purposes as golf courses, campgrounds or ski hills is usually not eligible for the MFTIP. There are some exceptions. The associations can provide more information.

Tip: Steps in a planning schedule (Note: this may be a five-month process)

- review this guide and *A Guide to Stewardship Planning for Natural Areas* and contact one of the associations if you have questions or if you require a list of Managed Forest Plan Approvers
- do an initial property inspection
- contact a Managed Forest Plan Approver to get advice on how to write the plan
- complete the first draft of your plan
- have the plan approved and submit the application package

If you have a large or complex forest, you may want to prepare the plan in a modified format. A Managed Forest Plan Approver can provide information.

ENTERING THE MFTIP

Properties are entered into the MFTIP for a ten-year period. The following provides details on how to enter the MFTIP.

PREPARING AN APPLICATION PACKAGE

1. Prepare a Managed Forest Plan

Your application must include a Managed Forest Plan with a long-term horizon (20 years and beyond) and a description of the activities you will carry out over the next ten years.

A Managed Forest Plan can be written to include more than one property (i.e., assessment roll number). However, each property must qualify for the MFTIP on its own merit.

The planning framework is found in *A Guide to Stewardship Planning for Natural Areas*. The associations (refer to page 5) can provide you with a copy of the guide or you can obtain it from their website. Plans may be based on earlier versions of the MFTIP guide. Table 1 lists plan requirements. Management activities for properties in the MFTIP are discussed in Table 2.

2. Have your Managed Forest Plan approved

A person designated by the MNR as a Managed Forest Plan Approver must approve your plan. Managed Forest Plan Approvers are independent contractors and charge for their services. You can get a list of Approvers from the associations.

The Approver will:

- visit your property and verify that the forest is eligible;
- ensure that your plan, maps and proposed activities meet program standards; and
- complete approval forms.

The Approver may also:

- prepare maps and inventory;
- recommend management activities; and
- prepare or revise your plan to meet program standards.

Tip: Selecting a Managed Forest Plan Approver

Approval of your plan is easier when you consult with a Managed Forest Plan Approver early in plan preparation. Managed Forest Plan Approvers have different resource management backgrounds such as biology, forestry and ecology. Find one you feel comfortable working with before you start your plan.

3. Submit the application package by the deadline

The application deadline for new participants is June 30. Submit the following to one of the associations to have your property taxes changed for the following year:

- the MFTIP application form;
- a copy of the Managed Forest Plan (approved by a Managed Forest Plan Approver);
- an Area Verification Form for each property and an Approval Form, both completed by a Managed Forest Plan Approver; and
- a copy of the most recent Notice of Property Assessment for each property (i.e., assessment roll number) in the plan.

Tip: Formatting and submitting your plan

- number the pages and bind the plan
- ensure that the plan is of good enough quality to be photocopied
- keep a copy so that you can follow the plan and keep track of activities

Late or incomplete applications cannot be processed and will be returned to the landowner.

Make sure that you keep a copy of your plan. If you are selected for audit by the MNR and do not have a copy of your plan, your property will be ineligible for the program (refer to ineligible properties on page 11).

TABLE 1: MFTIP PLAN REQUIREMENTS

The following table lists the requirements of a Managed Forest Plan for entry into the MFTIP based on the planning framework found in *A Guide to Stewardship Planning for Natural Areas*. Detailed requirements are found in the *Standards and Review Criteria for Managed Forest Plans Prepared Under the Managed Forest Tax Incentive Program*. Managed Forest Plan Approvers have this document.

Section 1: Property owner information

Identify the plan period, ownership information and person who prepared the plan

Section 2: Property location information

Record information on property location (roll number, lot, concession, township) and size

Section 3: Property history

Provide the history of the property and how the property relates to the surrounding landscape

Section 4: Property map and surrounding area

This map provides an overview of your property and shows its relationship to the surrounding area. It must also show tax assessors and other officials where the property is located. To allow for reassessment of your property this map must:

- clearly indicate the area(s) eligible for the MFTIP
- show any residences or structures
- have the 19 digit assessment roll number listed
- allow a person who is not familiar with your property to locate it

Note: depending on map scale and detail, the map from Section 6 may also be helpful in preparing maps to allow for reassessment.

Section 5: Landowner objectives

Identify and rank your management objectives
Describe how the objectives will be achieved

Section 6: Detailed property map

Identify the different types of forest areas (these areas are referred to as compartments) and map them in relation to each other.

Section 7: Managed forest compartment descriptions—Inventory forms

An inventory sheet is completed for each compartment being entered into the MFTIP (i.e., Getting to Know Your Upland Areas or Getting to Know Your Wetland Areas). Points to consider:

- the items inventoried are based on your objectives and program standards
- an enhanced inventory should be planned or completed if a commercial harvest is proposed during the period of the plan

Note: the Enhanced Forest Inventory and Harvest Plan from *A Guide to Stewardship Planning for Natural Areas* provides a framework for data collection for forest management operations.

Note: Managed Forest Plan Approvers can help you determine eligible areas and assist in inventory collection.

Section 8: Ten-year activity summary

List the activities that you plan to carry out on your property, along with a quantifiable measure that will allow you to judge your accomplishments.

Section 9: Report of activities

Record your management activities as you complete them during the term of the plan.

Section 10: Contacts and notes

Record information sources, contacts made, workshops attended, etc., during the term of the plan.

TABLE 2: MANAGEMENT ACTIVITIES ON PROPERTIES IN THE MFTIP

The MFTIP encourages Appropriate Management Activities

To meet your objectives, forest management activities may be required. Appropriate management activities for the MFTIP include:

- tree planting or harvesting;
- recreational activities such as hiking, skiing or hunting;
- wildlife management involving habitat work or participating in monitoring programs;
- protecting environmentally sensitive areas by limiting disturbance; and
- learning about your forest.

Activities on properties in the MFTIP are to be carried out according to “good forestry practices” as defined in the *Forestry Act*. Good forestry practices means “the proper implementation of harvest, renewal and maintenance activities known to be appropriate for the forest and environmental conditions under which they are being applied and that minimize detriments to forest values including significant ecosystems, important fish and wildlife habitat, soil and water quality and quantity, forest productivity and health and the aesthetics and recreational opportunities of the landscape.”

Tree cutting is to be carried out according to MNR’s silvicultural guides. Guides are available from the Natural Resources Information Centre at: (800) 667-1940.

The MFTIP encourages landowners to take an active role in maintaining the health of the forest. It is important to inspect the forest for insects, disease and other problems and monitor the results of activities. Being inactive because you are not sure of what kind of forest you have, or what management activities are appropriate, is not acceptable in the MFTIP.

Activities not permitted in the MFTIP

Activities that are not in accordance with good forestry practices are not permitted in the MFTIP. This includes, but is not limited to:

- high-grading, or diameter limit cutting;
- pasturing livestock;
- removing soil from the forest; and
- continued inactivity that degrades the health of the forest.

Additional information on these activities may be obtained from a Managed Forest Approver or from the associations.

The MNR carries out audits, including field visits. Audits may be conducted after a landowner has removed the property from the MFTIP. Activities not in accordance with good forestry practices make a property ineligible for the program.

If MNR finds that a property has become ineligible for the MFTIP while it is in the program, MNR may remove the property from the program. As the property received benefit under the MFTIP (while not eligible), the municipality may choose to collect the taxes that would normally have been owed, had the property not been part of the MFTIP [as per Section 33(4) and 33(5) of the *Assessment Act*].

The Ontario Professional Foresters Association (OPFA) is responsible for regulating professional forestry in Ontario. Landowners who are planning forest management operations, such as tree harvesting, and who want a guarantee of professional standards, should consult a Registered Professional Forester or an Associate Member of the OPFA. For more information, contact the OPFA at (705) 436-2226 or visit their website at www.opfa.on.ca.

OTHER PROGRAM INFORMATION

The following information will help with ongoing participation in the MFTIP.

HOW TO STAY QUALIFIED

1. Follow your approved Managed Forest Plan

Manage your property according to your Managed Forest Plan and keep good records. Every spring, MNR will send you an annual confirmation letter confirming your participation in the MFTIP.

Tip: Deal with one association

Choose one association to provide you with customer service. Working with the association where you submitted your application will ensure continuity of customer service.

2. Submit your Five-Year Progress Report

You must complete and submit a *Five-Year Progress Report* to one of the associations by July 31 of your fifth year in the MFTIP. MNR will mail you a copy of this report to complete.

A copy of the *Report of Activities* (Section 9) and any changes to the *Ten-Year Activity Summary* must also be submitted (updates to Section 8). If you do not submit a *Five-Year Progress Report*, your property will be ineligible for the MFTIP (refer to ineligible properties on page 11).

Tip: Did you change your address?

MNR receives address information for MFTIP participants from MPAC. When you move, make sure that you provide MPAC with written notification (refer to page 5 for MPAC contact information).

3. Update your plan every ten years

Your property will remain in the MFTIP for ten years at which time your Managed Forest Plan must be updated. When updating your plan:

- make sure that it meets the most recent program standards;
- a new inventory may be required if your forest has changed. Enhanced inventories are also a good idea if a harvest is planned or has taken place; and

- the updated plan must be approved by a Managed Forest Plan Approver.

Submit an application package to one of the associations by July 31 of year ten in the program.

If you do not renew your plan after ten years, you must submit a *Landowner Report* and a copy of the *Report of Activities* (Section 9 of your plan) to one of the associations. A *Landowner Report* is found in this guide. If this information is not submitted, your property will be ineligible for the MFTIP (refer to ineligible properties on page 11).

LEAVING THE MFTIP

You may remove your property from the MFTIP at any time. To remove a property, send a written notice, a completed *Landowner Report* and a copy of the *Report of Activities* (Section 9) to one of the associations.

CHANGING ELIGIBLE AREA

Increases or decreases in eligible area must be approved by a Managed Forest Plan Approver.

- To increase eligible area, an updated property map and inventory forms (Sections 4 and 7 of your plan) must be submitted to one of the associations, along with approval forms completed by a Managed Forest Plan Approver.
- To decrease eligible area, an updated property map (Section 4), a copy of the *Report of Activities* (Section 9), and a completed *Landowner Report* must be submitted to one of the associations, along with approval forms completed by a Managed Forest Plan Approver.

CHANGES TO OBJECTIVES OR PLANNED ACTIVITIES

Changes to objectives or planned activities that do not modify the eligible area do not require an approval but must be documented. Make sure that you keep track of the following:

- what has changed;
- why the changes were made;
- the inventory forms (Section 7) if your activities require enhanced inventory data; and
- update the *Ten-Year Activity Summary* (Section 8).

SEVERING A PROPERTY

Properties that are severed or split are removed from the MFTIP by MPAC. To re-enter the program, each property must qualify for the MFTIP on its own merit. After revising the plan and map, re-submit the application package (refer to page 7) to one of the associations.

BUYING AND SELLING MANAGED FORESTS

The Managed Forest Plan is the property of the landowner who had it prepared. The associations, Managed Forest Plan Approver and MNR are not able to provide copies without permission from this landowner. Properties that are sold are removed from the MFTIP by MPAC. A new landowner must apply to the program within 90 days of the sale to keep the property in the program.

Vendors

Tell your realtor that your property is in the MFTIP. When the property is sold, send written notice, a completed *Landowner Report* and a copy of the *Report of Activities* (Section 9) to one of the associations.

Purchasers

Purchasers can determine if a property is in the MFTIP by contacting MPAC. Properties are removed from the Managed forests property class at the time of sale by MPAC.

If the vendor carried out activities that harmed the forest, an MNR field audit may find the property ineligible for the MFTIP. The purchaser may have to repay taxes (refer to ineligible properties on page 11). The offer to purchase should protect the purchaser if the property was ineligible for the MFTIP while owned by the vendor. Purchasers who want to keep the property in the MFTIP should:

- review the program guide;
- attempt to get a copy of the Managed Forest Plan from the vendor to determine how the property was managed;
- update the current plan or prepare a new plan to reflect your management objectives; and
- have the plan approved by a Managed Forest Plan Approver

A MFTIP application and associated paperwork, completed by a Managed Forest Plan Approver, must be sent to one of the associations. The application must be received within 90 days of the closing of the sale.

APPEALS DEALING WITH MANAGED FORESTS

You may disagree with information on your Notice of Property Assessment or with the stated amount of property that you have in the Managed forests property class. To verify the area classified as Managed Forest, contact MPAC.

If you think that there is an error, you may request a review of:

- the assessed value: the values placed on the property
- the classification: the amount of property that you have in the Managed forests property class

For information on reviewing your property's value, refer to the bottom of your Notice of Property Assessment. If you think that the area classified as Managed Forest is wrong, contact the association where you submitted your plan. If a change is agreed to, you will be asked to sign a Minutes of Settlement. If there is no agreement, you have the option of an appeal to the Assessment Review Board.

MNR FIELD AUDITS AND INELIGIBLE PROPERTIES

The MNR is responsible for ensuring that properties in the MFTIP are eligible for the program.

MNR Field Audits

All activities must be carried out according to good forestry practices as defined in the Forestry Act (refer to Table 2). The MNR carries out audits, including field visits. Activities not in accordance with good forestry practices make a property ineligible for the program. The MNR may conduct an audit at any time, including after a property has been removed from the program by the landowner.

Properties which become ineligible for the MFTIP while in the program

If MNR finds that a property was not eligible for the MFTIP while receiving program benefits, MNR may remove the property from the program. As the property received benefit under the MFTIP (while not eligible), the municipality may choose to collect the taxes that would normally have been owed, had the property not been part of the MFTIP [as per Section 33(4) and 33(5) of the Assessment Act].