Fire Sprinkler Cost Incentives

Introduction
There are a number of federal, state, local, and insurance premium incentives to help offset the cost of fire sprinkler installation. Not all of these incentives are available in all situations. The following is a summary of those incentives.

Federal Fire Sprinkler Incentive Act
The Federal Fire Sprinkler Incentive Act amended Section 179 of the United States Internal Revenue Code (26 U.S.C. § 179) to allow fire sprinkler system retrofits to be deducted as an income tax expense rather than requiring the cost of the property to be capitalized and depreciated. This provision provided an incentive to install fire sprinkler system in certain types of occupancies to protect their employees and customers.

- Nightclubs and other small businesses
- Restaurants or diners (local owner)
- Bowling alleys
- Locally-owned movie theatres
- Main street-type shops
- Commercial high-rise buildings

Property owners should consult with an accountant or tax attorney to determine if these provisions apply to them.

Minnesota property valuation
Minnesota Statutes, Section 273.11, subdivision 6a, allows the cost of sprinkler systems in certain existing buildings to be excluded from the assessed valuation for property tax purposes. It applies to the following types of buildings:

- Existing multifamily apartment buildings having four or more units.
- Existing hotels, motels, and lodging houses.
- Existing office buildings or mixed use commercial-residential buildings.

Minnesota sales tax exemption
Minnesota Statutes, Section 297A.68, subdivision 23, exempts the cost of fire sprinkler parts and components from sales tax when installed in buildings described in Minnesota Statutes, Section 273.11 (see above).
Water availability charges

Minnesota Statutes, Section 444.25, subdivision 2, restricts water utility providers from charging owners a water availability or standby fee on a sprinkler system that exceeds the cost of water actually used or the actual cost to the utility of providing installation, inspection, and maintenance for the system.

Local assessments

Minnesota Statutes, Section 429.021, subdivision 1, allows the owner to petition the municipality to pay for a fire sprinkler system in an existing building and to assess those costs back onto the property taxes (similar to street or utility improvements).

Property owners wishing to protect their buildings with fire sprinklers should contact the municipality to enroll in this program.

Building and Fire Code Incentives

There are dozens of building and fire code incentives for sprinkler-protected buildings. Here are a few of the more commonly used incentives. In most occupancies a fully sprinkler-protected building allows you to:

- Construct it larger in size (often two to three times larger).
- Construct it taller (buildings can add another story in height).
- Not have to construct fire-rated egress corridors.
- Reduce or eliminate fire separation walls around hazardous areas and between different occupancies.
- Have a less expensive fire alarm system with fewer detection devices.
- Have longer travel distances to exits.
- Not have as many fire lanes and fire apparatus access roads.
- Have fewer fire hydrants or have them spaced further away.

Insurance Premium Reductions

Insurance premium reductions are available for many types of businesses and residential buildings when they are sprinkler-protected. Contact your insurance agent to inquire about these reductions.

More information

For more information on these incentives, property owners should consult with an accountant, tax attorney, applicable statute, insurance agent, or local municipality to see how these incentives may apply to their property.