

Solar Energy Equipment: North Carolina Appellate Court Addresses Scope of Property Tax Exemption



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The North Carolina Court of Appeals (“Court”) interpreted the scope of a North Carolina property tax exemption related to solar energy equipment. See *In Re Highwater Solar*, 2018 WL 6053437.

The issue addressed was whether equipment purchased by taxpayers and used exclusively for the conversion of solar energy to electricity, but still under construction, was exempt from taxation under a North Carolina property tax exemption.

Highway Solar requested a 2016 tax exemption from the Wayne County Board of Commissioners (“Board”). Its request was based on Section 105-275 of North Carolina’s General Statutes. This provision designates solar energy electric systems as “special classes” of property and provided that eighty percent (80%) of the appraised value of a solar energy electric system could be exempted from taxation.

The exemption included the following definition:

For purposes of this subdivision, the term ‘solar energy electric system’ means all equipment used directly and exclusively for the conversion of solar energy to electricity.

The Board notified Highway Solar in 2017 that its exemption request was denied.

Highway Solar appealed this decision to the North Carolina Property Tax Commission (“Commission”). Nine total matters, from various solar companies, were presented to the Commission, as eight similar requests for 2016 tax exemptions had already been made, denied, and appealed by the Board before its denial of Highway Solar’s request.

The Commission granted the solar companies’ partial tax exempt status. It concluded that even partially constructed equipment satisfied the statutory definition for tax exemption established by the North Carolina statute.

Nine North Carolina counties appealed to the Court, arguing that the Commission erred in exempting equipment that was only partially constructed. The counties argued that the General Statutes’ language—specifically, “equipment used directly and exclusively for the conversion of solar energy to electricity”—prevented such exemption. They contended that partially constructed equipment is not being used at all.

The Court analogized the pending matter to *Seminary, Inc. v. Wake City*. The North Carolina Supreme Court addressed a similar question in that decision. It held that a partially constructed seminary was still exempt from taxation because it was being erected wholly for use encompassed by a North Carolina tax

exemption. Similarly, in the pending case, because the partially constructed solar equipment was being erected wholly for the conversion of solar energy to electricity, it was deemed eligible for exemption under Section 105-275 of the General Statutes.

The Court therefore affirmed the Commission's order, granting the solar companies' tax exemption pursuant to Section 105-275.

A copy of the opinion can be found [here](#).