

NORTH CAROLINA GENERAL ASSEMBLY  
1981 SESSION

CHAPTER 921  
HOUSE BILL 684

AN ACT TO PROVIDE INCOME TAX CREDITS FOR EXPENDITURES FOR VARIOUS  
ALTERNATIVE ENERGY SYSTEMS.

The General Assembly of North Carolina enacts:

**Section 1.** Division I of Article 4 of Chapter 105 is amended by adding the following new sections to read:

**"§ 105-130.28. Credit against corporate income tax for construction of a photovoltaic equipment facility.** — (a) Any corporation that constructs in North Carolina a facility for the production of photovoltaic equipment shall be allowed a credit against the tax imposed by this division equal to twenty percent (20%) of the installation and equipment costs of construction. This credit shall not be allowed to the extent that any of the costs of the system were provided by federal, State, or local grants. To secure the credit allowed by this section, the taxpayer must own or control the facility at the time of construction. The credit allowed by this section may not exceed the amount of the tax imposed by this division for the taxable year reduced by the sum of all credits allowable under this division, except payments of tax made by or on behalf of the taxpayer.

(b) As used in this section, 'photovoltaic equipment' means those products designed, manufactured, and produced to convert sunlight directly into electricity without a need for additional generating or conversion equipment.

(c) The amount of credit allowed under this section may be carried over for the next succeeding five years.

**"§ 105-130.29. Credit against corporate income tax for construction of an olivine brick facility.** — (a) Any corporation that constructs in North Carolina a facility for the production of olivine bricks for thermal storage shall be allowed a credit against the tax imposed by this division equal to twenty percent (20%) of the installation and equipment costs of construction. This credit shall not be allowed to the extent that any of the costs of the system were provided by federal, State, or local grants. To secure the credit allowed by this section, the taxpayer must own or control the facility at the time of construction. The credit allowed by this section may not exceed the amount of the tax imposed by this division for the taxable year reduced by the sum of all credits allowable under this division, except payments of tax made by or on behalf of the taxpayer.

(b) The amount of credit allowed under this section may be carried over for the next succeeding five years.

**"§ 105-130.30. Credit against corporate income tax for construction of a methane gas facility.** — (a) Any corporation that constructs in North Carolina a facility for the production of methane gas from renewable biomass resources shall be allowed a credit against the tax imposed by this division equal to ten percent (10%) of the installation and equipment costs of construction. The credit allowed under this section may not exceed two thousand five hundred dollars (\$2,500) for any single installation. This credit shall not be allowed to the extent that any of the costs of the system were provided by federal, State, or local grants. To secure the credit allowed by this section, the taxpayer must own or control the facility at the time of construction. The credit allowed by this section may not exceed the amount of the tax imposed

by this division for the taxable year reduced by the sum of all credits allowable under this division, except payments of tax made by or on behalf of the taxpayer.

(b) As used in this section, 'renewable biomass resources' means organic matter produced by terrestrial and aquatic plants and animals such as standing vegetation, aquatic crops, forestry and agricultural residues and animal wastes that can be used for the production of energy.

**"§ 105-130.31. Credit against corporate income tax for installation of a wind energy device.** — (a) Any corporation that constructs or installs a wind energy device for the production of electricity at a site located in this State shall be allowed a credit against the tax imposed by this division equal to ten percent (10%) of the installation and equipment costs of the wind energy device. The credit allowed under this section may not exceed one thousand dollars (\$1,000) for any single installation. This credit shall not be allowed to the extent that any of the costs of the system were provided by federal, State, or local grants. To secure the credit allowed by this section, the taxpayer must own or control the site at the time the wind energy device is installed. The credit allowed by this section may not exceed the amount of the tax imposed by this division for the taxable year reduced by the sum of all credits allowable under this division, except payments of tax made by or on behalf of the taxpayer.

(b) As used in this section, 'wind energy device' means equipment (and parts solely related to the functioning of the equipment) that, when installed on a site, transmits or uses wind energy to generate electricity.

**"§ 105-130.32. Credit against corporate income tax for installation of solar equipment for the production of industrial heat.** — (a) Any corporation that constructs or installs solar equipment for the production of heat in the manufacturing process of a manufacturing business located in this State shall be allowed a credit against the tax imposed by this division equal to twenty percent (20%) of the installation and equipment costs of the solar equipment. The credit allowed under this section may not exceed eight thousand dollars (\$8,000) for any single installation. This credit shall not be allowed to the extent that any of the costs of the system were provided by federal, State, or local grants. To secure the credit allowed by this section, the taxpayer must own or control the business at the time the solar equipment is installed. The credit allowed by this section may not exceed the amount of the tax imposed by this division for the taxable year reduced by the sum of all credits allowable under this division, except payments of tax made by or on behalf of the taxpayer.

(b) As used in this section, 'solar equipment' means equipment and materials designed to collect, store, transport, or control energy derived directly from the sun.

**"§ 105-130.33. Credit against corporate income tax for installation of a hydroelectric generator.** — (a) Any corporation that constructs or installs a hydroelectric generator with a capacity of at least three kilowatts (3KW) at an existing dam or free flowing stream located in this State shall be allowed a credit against the tax imposed by this division equal to ten percent (10%) of the installation and equipment costs of the hydroelectric generator. The credit allowed under this section may not exceed five thousand dollars (\$5,000) for any single installation. This credit shall not be allowed to the extent that any of the costs of the system were provided by federal, State, or local grants. To secure the credit allowed by this section, the taxpayer must own or control the site at the time the hydroelectric generator is installed. The credit allowed by this section may not exceed the amount of the tax imposed by this division for the taxable year reduced by the sum of all credits allowable under this division, except payments of tax made by or on behalf of the taxpayer.

(b) The term 'installation costs' includes spillway and other site construction and modifications necessary to accommodate the hydroelectric generator.

(c) As used in this section, 'hydroelectric generator' means a machine that produces electricity by water power or by the friction of water or steam."

**Sec. 2.** Division II of Article 4 of Chapter 105 is amended by adding the following new sections to read:

**"§ 105-151.7. Credit against personal income tax for installation of a hydroelectric generator.** — (a) Any person who constructs or installs a hydroelectric generator with a capacity of at least three kilowatts (3KW) at an existing dam or free flowing stream located in this State shall be allowed a credit against the tax imposed by this division equal to ten percent (10%) of the installation and equipment costs of the hydroelectric generator. The credit allowed under this section may not exceed five thousand dollars (\$5,000) for any single installation. This credit shall not be allowed to the extent that any of the costs of the system were provided by federal, State, or local grants. To secure the credit allowed by this section, the taxpayer must own or control the site at the time the hydroelectric generator is installed. The credit allowed by this section may not exceed the amount of the tax imposed by this division for the taxable year reduced by the sum of all credits allowable under this division, except payments of tax made by or on behalf of the taxpayer.

(b) In the case of property owned by the entirety, where both spouses are required to file North Carolina income tax returns, each spouse may claim one half of the credit allowed by this section or one spouse may claim the entire credit allowed by this section by agreement with the other spouse, provided both spouses were living together at the end of the taxable year and file their separate returns for the taxable year on the combined form. Where only one spouse is required to file a North Carolina income tax return, such spouse may claim the credit allowed by this section.

(c) The term 'installation costs' includes spillway and other site construction and modifications necessary to accommodate the hydroelectric generator.

(d) As used in this section, 'hydroelectric generator' means a machine that produces electricity by water power or by the friction of water or steam.

**"§ 105-151.8. Credit against personal income tax for installation of solar equipment for the production of industrial heat.** — (a) Any person who constructs or installs solar equipment for the production of heat in the manufacturing process of a manufacturing business located in this State shall be allowed a credit against the tax imposed by this division equal to twenty percent (20%) of the installation and equipment costs of the solar equipment. The credit allowed under this section may not exceed eight thousand dollars (\$8,000) for any single installation. This credit shall not be allowed to the extent that any of the costs of the system were provided by federal, State, or local grants. To secure the credit allowed by this section, the taxpayer must own or control the business at the time the solar equipment is installed. The credit allowed by this section may not exceed the amount of the tax imposed by this division for the taxable year reduced by the sum of all credits allowable under this division, except payment of tax made by or on behalf of the taxpayer. In no case shall a tax credit be allowed both under the provisions of this section and G.S. 105-151.2.

(b) In the case of property owned by the entirety, where both spouses are required to file North Carolina income tax returns, each spouse may claim one half of the credit allowed by this section or one spouse may claim the entire credit allowed by this section by agreement with the other spouse, provided both spouses were living together at the end of the taxable year and file their separate returns for the taxable year on the combined form. Where only one spouse is required to file a North Carolina income tax return, such spouse may claim the credit allowed by this section.

(c) As used in this section, 'solar equipment' means equipment and materials designed to collect, store, transport, or control energy derived directly from the sun.

**"§ 105-151.9. Credit against personal income tax for installation of a wind energy device.** — (a) Any person who constructs or installs a wind energy device for the production of electricity at a site located in this State shall be allowed a credit against the tax imposed by this division equal to ten percent (10%) of the installation and equipment costs of the wind energy

device. The credit allowed under this section may not exceed one thousand dollars (\$1,000) for any single installation. This credit shall not be allowed to the extent that any of the costs of the system were provided by federal, State, or local grants. To secure the credit allowed by this section, the taxpayer must own or control the site at the time the wind energy device is installed. The credit allowed by this section may not exceed the amount of the tax imposed by this division for the taxable year reduced by the sum of all credits allowable under this division, except payments of tax made by or on behalf of the taxpayer.

(b) In the case of property owned by the entirety, where both spouses are required to file North Carolina income tax returns, each spouse may claim one half of the credit allowed by this section or one spouse may claim the entire credit allowed by this section by agreement with the other spouse, provided both spouses were living together at the end of the taxable year and file their separate returns for the taxable year on the combined form. Where only one spouse is required to file a North Carolina income tax return, such spouse may claim the credit allowed by this section.

(c) As used in the section, 'wind energy device' means equipment (and parts solely related to the functioning of the equipment) that, when installed on a site, transmits or uses wind energy to generate electricity.

**"§ 105-151.10. Credit against personal income tax for construction of a methane gas facility.** — (a) Any person who constructs in North Carolina a facility for the production of methane gas from renewable biomass resources shall be allowed a credit against the tax imposed by this division equal to ten percent (10%) of the installation and equipment costs of construction. The credit allowed under this section may not exceed two thousand five hundred dollars (\$2,500) for any single installation. This credit shall not be allowed to the extent that any of the costs of the system were provided by federal, State, or local grants. To secure the credit allowed by this section, the taxpayer must own or control the facility at the time of construction. The credit allowed by this section may not exceed the amount of the tax imposed by this division for the taxable year reduced by the sum of all credits allowable under this division, except payments of tax made by or on behalf of the taxpayer.

(b) In the case of property owned by the entirety, where both spouses are required to file North Carolina income tax returns, each spouse may claim one half of the credit allowed by this section or one spouse may claim the entire credit allowed by this section by agreement with the other spouse, provided both spouses were living together at the end of the taxable year and file their separate returns for the taxable year on the combined form. Where only one spouse is required to file a North Carolina income tax return, such spouse may claim the credit allowed by this section.

(c) As used in this section, 'renewable biomass resources' means organic matter produced by terrestrial and aquatic plants and animals such as standing vegetation, aquatic crops, forestry and agricultural residues and animal wastes that can be used for the production of energy."

**Sec. 3.** G.S. 105-130.23(a) is amended:

(a) by deleting from line 1 thereof the words "constructs or installs" and by substituting therefor the words "causes to be constructed or installed";

(b) by inserting on line 8 thereof the words "per system or per year" between the number in parentheses, "(\$1000)", and the word "for"; and

(c) by deleting the last two words, "that in", at the end of line 10 thereof, all of lines 11 through 16, and the four words, "the credit is claimed", at the beginning of line 17, and substituting therefor the following:

"that to obtain the credit the taxpayer must own or control the use of the building at the time of the installation, except that in the case of a building constructed or modified for sale in which a solar system is constructed or installed, the credit shall be allowed to the owner who first occupies the building for use after the construction or installation of the system or the

owner-lessor who first leases the building for use after the construction or installation of the system; provided, further, that the credit shall not be allowed to the extent that any of the cost of the system was provided by federal, State, or local grants;"

**Sec. 4.** G.S. 105-130.23(b) is amended by changing the period at the end of the subsection to a comma and adding the following:

"or passive solar systems that meet the eligibility criteria approved and published by the Secretary of Revenue." Sec. 5. G.S. 105-151.2(a) is amended:

(a) by deleting the word "constructs" at the end of line 1 thereof and the two words "or installs" at the beginning of line 2, and by substituting therefor the words "causes to be constructed or installed";

(b) by inserting on line 7 thereof the words "per system or per year" between the number in parentheses "\$1,000" and the word "on"; and

(c) by deleting the words "that in order to secure the credit allowed by this section the" from line 10 thereof, all of lines 11 through 15, and the words "during the income year for which the credit is claimed" from line 16, and substituting therefor the following: "that to obtain the credit the taxpayer must own or control the use of the building at the time of the installation, except that in the case of a building constructed or modified for sale in which a solar system is constructed or installed, the credit shall be allowed to the owner who first occupies the building for use after the construction or installation of the system or the owner-lessor who first leases the building for use after the construction or installation of the system; provided further, that the credit shall not be allowed to the extent that any of the cost of the system was provided by federal, State, or local grants;"

**Sec. 6.** G.S. 105-151.2(c) is amended by changing the period at the end of the subsection to a comma and adding the following: "or passive solar systems that meet the eligibility criteria approved and published by the Secretary of Revenue."

**Sec. 7.** This act is effective for taxable years beginning on and after January 1, 1981.

In the General Assembly read three times and ratified, this the 10th day of July, 1981.