

Bond Case Briefs

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Matter of Aaron's, Inc.

Court of Appeals of North Carolina - February 19, 2019 - S.E.2d - 2019 WL 660961

After county board of equalization and review affirmed Tax Administrator's decision to allow assessment of tax deficiency issued by county office of tax assessor against taxpayer for unpaid taxes on goods taxpayer offered to customers through "lease purchase" agreements, taxpayer appealed, arguing that such property was inventory exempt from taxation.

The Property Tax Commission, sitting as the State Board of Equalization and Review, determined that property in physical possession of taxpayer's customers pursuant to "lease purchase" agreements was subject to ad valorem taxation. Taxpayer appealed.

The Court of Appeals held that:

- Taxpayer's transfers of property did not constitute sales, and thus transferred property was not exempt from taxation; and
- Statutory definition of "inventory" did not include goods taxpayer transferred to customers.

Taxpayer's transfers of property to customers through "lease purchase" agreements did not constitute sales, and thus transferred property was not exempt from taxation as "inventor[y] owned by retail and wholesale merchants"; customers were under no obligation to purchase leased property or to pay total purchase price of property, and were permitted to return leased property at any time without penalty, and price to purchase leased property through purchase option was higher than price for purchasing property directly.

Statutory definition of "inventories" as goods "held" for sale in regular course of business did not include goods taxpayer transferred to customers through "lease purchase" agreements, where property was in customers' possession.