



A Relocation Home Sale Transaction Complicated by a Solar Panel System

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June 17, 2020

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The addition of a solar (photovoltaic) panel system to a residence can cost thousands of dollars, depending on the extent and size of the solar paneling. And while some states offer significant rebates for purchasing or leasing solar panels, there is often a liability associated with the system as stated in the solar contract. As described below, care should be taken to have a full contractual review of any solar panel agreement prior to authorizing an acquisition by a corporation or relocation management company (RMC).

Recently, our Home Sale Transaction (HST™) Audit team worked through a file where there was an extensive attorney review. Upon further research, it was discovered that the attorney was reviewing documentation to ensure that the solar agreement was transferable and to determine the requirements for the home purchaser to qualify for the assumption of the solar panels. The RMC was absolutely correct to require an attorney review of the fine details prior to assuming temporary ownership. There are several important issues described below that you should carefully consider.

Solar Panel System Complications

Solar panels in association with a relocation home sale adds a substantial level of complication and potential risk to a corporation. A critical question to answer is whether the solar panels were purchased outright by the employee or otherwise set up as a loan and/or lease agreement. It is also important to address any ongoing Solar Renewable Energy Certificate (SREC) that may be associated with the energy created by the panels. Furthermore, the liability for maintenance falls on the home owner should any problems occur with the solar system. In addition, consider the following:

1. Solar Panel Ownership with or without a Loan

If the solar panels are owned, the new buyer will own the panels outright once the transfer of ownership is complete. If the panels were acquired with a solar loan, this should be taken into consideration when calculating the employee’s net equity amount. Upon acquisition, the solar loan should be paid off immediately absolving any further obligation.



2. *Solar Panel Leases*

The purchase of a home with leased panels also adds complication. Solar leases can last between ten and twenty years and involve various leasing options. Transferring the lease can become an arduous task as the leasing company may require their own approval of the home buyer. Options include, but are not limited to:

- a. Buying out the lease (outside of closing), or*
- b. Rolling the lease into the house purchase, or*
- c. Transferring the assignment of the lease to the new buyer (may require approval)*

3. *Solar Renewable Energy Certificate (SREC)*

When a home is acquired by the corporation and the subsequent purchaser, if there is an active SREC market in that state, then the transferee could potentially retain the rights to continue selling SRECs after moving. This can continue even for several years after the sale. It is incumbent upon the RMC/Corporation to research and require the transfer of all SREC rights to the new homebuyer and it should be agreed upon as part of the acquisition and final sale. See <https://www.energysage.com/solar/cost-benefit/sreCs-solar-renewable-energy-certificates/>

If a corporation authorizes homes with solar panels, it is recommended that the RMC require a legal team review all the solar panel documentation, including any agreements for loans, leases, or SRECs. This will help to ensure there will be no issues with the transaction (from the employee to the RMC, and RMC to new buyer).

