

STIMULUS PERKS FOR EQUIPMENT FINANCING



In the midst of this economic downturn, many businesses are holding on tightly to cash in the face of soaring fuel prices, skyrocketing raw materials costs and rising interest rates.

Under such conditions, office equipment and office furniture dealers and suppliers are undoubtedly scouring their playbooks for new or underutilized tools to generate sales and increase profitability. As you study your options and evaluate how to best allocate resources, keep in mind two economic and budgetary opportunities that can help improve your business odds.

The first is the Economic Stimulus Act of 2008, the federal

government's effort to not only boost consumer spending but also encourage businesses to invest in capital equipment before the end of the year.

The second is the option of equipment financing for office equipment, office furniture suppliers and dealers, as well as their customers.



Everyone knows the importance of cash-flow management... especially during an economic slowdown.

Additional depreciation benefits

Signed by President Bush on Feb. 13, 2008, the Economic Stimulus Act of 2008 is similar to the stimulus provisions enacted to bolster the national economy as it struggled to regain its footing after Sept. 11, 2001.

One of the key provisions of the 2008 act allows companies acquiring capital assets such as office furniture and manufacturing equipment to take an additional 50 percent first-year depreciation for tax purposes.

More specifically, this provision means companies purchasing new equipment before year's end are eligible for the regular modified accelerated cost recover system (MACRS) depreciation they typically use to depreciate new equipment, as well as an additional first-year depreciation of 50 percent.

Basic business principals show the postponement of asset

acquisition can slow economic growth. That's why this additional depreciation is so helpful to businesses in both cost savings and growth stimulation.

Businesses wishing to lease equipment can also take advantage of this tax change because the benefit passes through to the leasing company, which in turn can offer lower financing rates to lessees.

That isn't the only temporary tax change businesses can find advantageous this year.

With Section 179, businesses can ease tax burden

Another change increases the amount of money small businesses can write off on equipment purchased before Jan. 1, 2009.

It comes under IRS Section 179 and allows companies that purchase up to \$800,000 (up from \$510,000) in capital equipment to write off \$250,000 (up from

\$128,000) of that investment in equipment purchased through the end of the year.

The effect of both of these provisions is to lower the stated profits on a company's income statement, thereby lowering the company's stated tax burden.

With both of these provisions applicable only to equipment purchased this year, it makes smart business sense for office furniture dealers and manufacturers to educate customers on the benefits of purchasing equipment they desire now rather than waiting.



With less money due up-front, equipment leasing helps customers conserve cash for their revenue-generating projects.

Offer financing

The ability to offer a finance option as part of the sales process can provide a strategic and competitive advantage for both the dealer and the customer, particularly during an economic downturn.

Office equipment and solutions dealers, as well as furniture dealers are always looking for ways to close more deals and, ultimately, add to the bottom line. Increasing sales is always part of the strategy. Even so, companies often overlook a simple method of accomplishing this objective – making it easier for the customer to buy.

With less money due up-front, equipment leasing helps customers conserve cash for their revenue-generating projects. Leasing also makes it possible for customers to acquire the equipment they need now while postponing the ultimate purchase decision until the end of the lease. This all goes toward improved customer relations by providing a one-stop shopping and financing option.

Everyone knows the importance of cash-flow management, especially during an economic slowdown. Leasing is also beneficial in this regard by giving customers another option when they want to acquire furniture based on their operating, not capital, budget. This is a tremendous benefit since the lease payments can be closely matched with revenue generation. Leasing also helps businesses present a better balance sheet because lease payments show up as an expense versus a debt and allow for improved management of tax liability.

Benefits add up

When considering new tools to maximize profits, leasing is one option with many beneficial uses. Here are a few benefits your customers can realize from leasing office furniture and equipment:

✦ **TAX TREATMENT** - The IRS does not consider certain leases to be purchases, but rather tax-deductible overhead expenses. Therefore,

your customers can deduct the lease payments from income.

✦ **100 PERCENT FINANCING** - Since a lease often does not require a down payment, it is equivalent to 100 percent financing.

✦ **IMMEDIATE WRITE-OFF OF THE DOLLARS SPENT** - With leasing, payments are treated as expenses on the income statement, so equipment does not have to be depreciated over an extended term.

✦ **FLEXIBILITY** - As businesses grow and needs change, the lessee may be able to add or upgrade equipment at any point during the lease term.

✦ **ASSET MANAGEMENT** - A lease provides the use of equipment for specific periods of time at fixed payments. The leasing company assumes and manages the risk of equipment ownership. At the end of the lease, if the customer elects to return the equipment, the leasing company is responsible for the disposition of the asset.

✦ **IMPROVED CASH FORECASTING** - When your customers lease, they can accurately forecast the cash requirements for equipment since they know the amount and number of lease payments required.

✦ **FLEXIBLE END OF TERM OPTIONS** - There are typically three flexible options at the end of a term. The lessee can either return the equipment, purchase the equipment from the leasing company or extend the lease for an additional period of time.

✦ **TAX BENEFITS** - Leasing companies can pass the tax benefits of ownership on to the businesses in the form of lower monthly payments.

Leasing for dealers, too

Offering a flexible finance program can help increase sales and make dealers and manufacturers more competitive. But just as financing helps boost your customers' buying power, it can also help you acquire the equipment you need to succeed.

Many business owners may not realize it, but just about any type of equipment can be leased. That means everything from


computers, copiers and fax machines to manufacturing and assembly machinery to commercial vehicles, and so much more. And, in many cases, "soft" costs such as delivery, service, training and support can be rolled into the finance package, so you pay one predictable monthly payment for all of your equipment needs.



One size does not fit all

Perhaps the most important step in the implementation of these practices is seeking the guidance of an experienced and reliable financing partner. There are a number of important things to consider when making this choice.

These include whether the finance company knows your industry and business needs, is flexible and willing to work with your management team and is quick in its approval of credit applications, among other factors.

One thing is certain. By offering both an equipment finance option as well as an explanation of the benefits of the Economic Stimulus Act of 2008, office dealers and manufacturers can make it easier to improve their business outcomes – and improve them now. 

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