



**Understand Tax-Law Changes that affect your Industry**  
**More Depreciation = Less Taxes**  
**You Must Read This!!**

The Job Creation and Worker Assistance Act of 2002 is good news for the industry because it should accomplish exactly what it was intended to do – **increase capital equipment acquisitions**. Corporate taxpayers are being offered an incentive to purchase equipment by receiving additional depreciation benefits. Lessors and the Broker community will benefit through writing more business and by having the advantage of selling the benefits of true-leases against traditional financing.

In summary, the Act allows companies that make qualified equipment purchases after September 10, 2001 and before September 11, 2004; the option of taking an additional 30% bonus in depreciation for the year the equipment is acquired. This 30% bonus, which is not subject to the alternative minimum tax or mid quarter convention regulations, is in addition to traditional MACRS. Under traditional 5 year MACRS, a corporate taxpayer would deduct 20% of the total equipment cost in the first year. Under the new provisions, the taxpayer would be able to deduct 44% in the first year (30% bonus, then 20% of the remaining 70% basis)! **More Depreciation = Less Taxes!**

Why will this help the financial community? Because when companies buy equipment – they need financing, but more importantly it could help brokers in the leasing community who offer True leases to their customers. In a True or Tax lease, the Lessor is the tax and legal owner of the subject equipment and thus takes the tax depreciation. In many cases, through reciprocity the Lessor is willing to share part of its income tax relief by passing on a lower rate factor to the customer. This 30% bonus incentive will have an increased effect on the reduction of the rate factor and could reduce the monthly payment, making it easier for the customer to make the lease vs. purchase decision.

True Leases will also benefit the end user because the bonus depreciation write off of section 38 personal property adds complexities in dealing with depreciation for tax purposes. Equipment that falls under the bonus program must be segregated in the company's depreciation schedules. This means additional accounting costs and additional headaches for small and medium sized business owners. True leases will alleviate this problem by shifting the calculations to the Lessor.

For more information about how true leases, operating leases and off balance sheet loans can benefit your customers call your representative now and take advantage of this great savings.