
The Benefits of Leasing

See what counts.



An experienced partner

For over 30 years now, DLL has been providing flexible financial solutions to the Materials Handling industry in the US and Europe. Products and services that keep those businesses competitive.

Our Materials Handling team is made up of industry specialists. People who enjoy nothing more than using their sector know how to help your businesses achieve its ambitions.



Your business needs both capital to grow and the right equipment to be competitive. And to have both requires finding the financial solution that's right for you.

The smarter alternative to ownership

Leasing lets your business acquire a major asset without a down payment. You pay for its use from your operating budget, not your capital reserves.

And at the end of the lease term, you have the choice to buy the equipment for a fraction of the original cost, upgrade to something new, extend the lease at a reduced rate or simply return the equipment.

Nearly all American companies, including most of the Fortune 500, enjoy the benefits of equipment leasing. And every day more business are discovering the advantages of leasing, particularly in today's marketplace.

Why is leasing now the largest and fastest-growing external source of capital investment both in the US and across the globe? Quite simply, because the business case for leasing is compelling.

Is leasing right for your business?

When deciding if you should lease or buy outright, you need to ask yourself a few questions:

- Will the equipment appreciate or depreciate over time?
- What will its value be at the end of the economic life cycle?
- Will the equipment become obsolete before the end of its useful life?
- Can the capital or credit line for purchasing be better used to leverage financial returns?
- Which option offers your business the best tax advantages?

Essentially, if it's equipment that will increase in value and you can acquire without draining your capital reserves, buying may well be your best option. Otherwise, we think you need to consider which of the many available leasing options would be best for you.

And that's where our team, with its know how and networks in the Materials Handling sector, can help you make the right decision.

The key benefits of leasing at-a-glance

Your capital keeps working for you

Generally speaking, capital investments should generate income. But leasing resolves the 'equipment or capital' dilemma. Because with leasing you get to use the equipment and your capital stays where it belongs: working for the business.

Your equipment stays cutting-edge

Your equipment usage or needs can change over time. Leasing expensive equipment lets you expand your fleet or upgrade to the most current equipment as and when you need to.

You protect your credit sources

When you lease equipment you're not drawing on conventional credit lines. So they can then be used for other, income-generating activities or investments.

There may be tax advantages

Within the Federal Tax Reform Act 1986, treatment of certain "preference" items creates the possibility of Alternative Minimum Tax (AMT). Leasing may help you minimize or even negate the impact of AMT (for details please consult your tax advisor).

Replacing equipment is easier

With leasing, you're only responsible for the equipment during its lease term (unless, of course, you choose to purchase the equipment at the term's end). This eliminates the hassle of selling or storing the equipment at the end of its economic life cycle.

Accounting is simplified

In some situations leasing offers off-balance sheet financing. So accounting for a true lease agreement becomes little more than a matter of recording payments. Which means you reduce your accounting costs (for details please consult a tax advisor.)

100% financing

Your lease may include the entire equipment costs plus insurance and maintenance. And leasing very often provides 100% financing. You simply make an advance rental payment, eliminating the need for a down payment or compensating balance on deposit.

You step out of the markets rollercoaster

The lease you sign today remains fixed at that price and that rate. Which means you can budget your operating expenses with confidence.

You choose what's right for you

You can acquire equipment piece-by-piece, lease-by-lease or bundled in a Master Lease. And at the end of the term, you choose whether to purchase, upgrade or return the equipment, or extend the lease.



The flexibility and choice every business needs

With DLL you have a wide choice of leasing and financing programs. Each designed to meet the needs of the modern Materials Handling business.

Here you'll find some of our most popular programs. Feel free to call your dealer or DLL representative for more information or with specific queries concerning your business.

Full Payout / \$1.00 Purchase Option

A Finance Lease where equipment is purchased at lease end for a nominal \$1.00.

Features

- Level monthly payments
- Depreciation and interest deductions claimed by Lessee (subject to advice of tax advisor)
- You pay for lift truck over time

Benefits

- Fixed costs help your budgeting
- You take full advantage of tax benefits
- You conserve your working capital

Lease with Fixed Purchase Option

A Finance Lease where equipment is purchased for an amount specified in the lease or returned at lease end.

Features

- Level monthly payments
- Option to purchase for a fixed price
- You may claim payments as expense (subject to advice of tax advisor)
- You pay for lift truck over time
- You may return equipment at lease end

Benefits

- Fixed costs aid your budgeting
- Optional ownership
- You take full advantage of tax benefits
- You conserve your working capital
- You only pay for equipment use

Tax or True Lease

An Operating Lease where the lessee can either purchase the equipment for a fair market value at lease end, extend the lease, or return the equipment.

Features

- Level monthly payments
- Option to purchase for a fair market price
- You may claim payments as expenses (subject to advice of tax advisor)
- You can pay for lift truck over time
- It may provide a planned replacement

Benefits

- Fixed costs aid budgeting
- Optional ownership
- You may get tax benefits and minimize or negate the impact of AMT
- You conserve your working capital
- At term end, you may replace truck with new unit
- Lowers your monthly payments

Tax & Accounting and your lease

Accounting Perspective

Capital

A Capital Lease:

- is one that meets any one or more of the four criteria of the Financial Accounting Standards Board Number 13 (FASB-13)
- is often structured with a bargain purchase option that can range from \$1.00 to an amount below the expected fair market value. A lease where the present value of the payments exceeds 90% of the cost of the equipment would also qualify as a Capital Lease, regardless of the purchase option
- is a Finance Lease, which means it represents nominal ownership for the customer. So the cost of the equipment and the Lease obligation must be presented on the customer's balance sheet

Operating

An Operating Lease:

- must not meet any of the criteria of FASB-13
- is structured so that the customer uses the lift truck for the term of the lease with the options to renew, return the equipment, or purchase it at its fair market value at the end of the lease term
- is basically a "Long-term Rental Agreement" where the customer obtains the use of the lift truck without the risk or benefits of ownership. For accounting purposes, these transactions are usually treated as off balance sheet

IRS/Tax Perspective

Non-Tax Lease

A non-tax lease:

- is one where the customer (lessee) is considered by the IRS to be the owner. This type of arrangement is like a conditional sales contract: the title to the equipment does not pass to the customer until all required payments have been made, including the purchase option payment.
- often has a purchase option for a predetermined price that is below the expected fair market value. In such cases, the customer assumes the risks of ownership and is, from a tax standpoint, considered the owner. The lessor in this type of lease is from a tax standpoint considered to have provided the financing.

Tax Lease/True Lease

With a Tax (or True) Lease:

- from a tax standpoint, the lessor and not the lessee is considered the owner of the lift truck being leased
- the lessee is likely to have lower rental payments because the lessor enjoys the tax benefits of depreciation
- all the lessee's payments are tax deductible.
- certain IRS requirements must be met to qualify as a Tax Lease. These are not the same as the four criteria outlined in FASB-13 to determine Operating or Capital Lease status

Lease Classifications

	Tax lease	Non-tax lease
Tax lease	Lessee does not take tax benefits	Lessee takes tax benefits
Accounting	Operating Lease	Capital Lease

From the lessee's viewpoint, both a Tax Lease and a Non-Tax lease can be either an Operating Lease or a Capital Lease. Since the criteria for determining treatment differ between accounting and tax, you can be considered the owner for accounting purposes (Capital Lease) but not for tax purposes, and vice versa. Your accountant and tax advisor must determine your classification.

Please note: The information contained herein is not to be considered definitive tax, accounting or financial advice. The customer should have their tax advisor or accountant review all of the lease classification options.



