

Why Companies Choose Equipment Leasing Companies...

We have all heard about how the economy has taken its toll on businesses. In such uncertain economic times, many companies can benefit from equipment leasing companies. Leasing is a financing practice that has been around since 2000 BC.

Documents carved on clay tablets record instances of farmers renting tools, but not until the 1960s did the equipment leasing industry begin to take shape into the form of what it is today. IBM introduced computer-leasing programs that spawned several computer equipment leasing companies which gave businesses a taste of leasing to come. The 1970s brought equipment leasing to the forefront as an increasingly popular means of financing. This began the leasing trend.

Leasing equipment can help your business survive uncertain times and also prepare you for the next boom. Equipment leasing companies can help you manage your cash flow, guard against obsolescence, increase financial flexibility, and reduce your tax burden. These advantages can apply to most any equipment.

Top 6 Reasons to Use Equipment Leasing Companies:

The Equipment Leasing Association surveyed small and medium sized businesses, and asked them to list reasons of why they decided to use equipment leasing rather than buying equipment.

- 1. 35% Stated Cash Flow as the Primary Factor** — This may be especially important in the capital intensive industries.
- 2. 17% Sited Dollar Value** — Equipment leasing companies offer fixed rate financing for payments that remain the same throughout the term of the lease regardless of interest rate fluctuations.
- 3. 13% Said They Preferred the Convenience and Flexibility with Equipment Leasing Companies** — there are endless ways to configure a lease. For example, it may take months for your new furnace to operate at peak efficiency, so an equipment lease may be set so there are no payments or smaller payments for the first several months. If your business is seasonal, equipment leasing companies can structure your lease with variable payments.
- 4. 13% Claimed Taxes were the Main Attraction** — A lease can be structured as an operating lease so payments are tax deductible and the equipment lease obligation remains off the balance sheet.
- 5. 13% of the Companies Preferred Maintenance Options** — Equipment leasing companies can include maintenance costs in the lease, therefore reducing maintenance cost variations.
- 6. 9% Felt Leasing Helped Them Stay Abreast of the Latest Technology** — If the equipment is no longer useful to your business at the end of the lease, lessee may choose not to exercise the lease end purchase option.

There are also other considerations for equipment leasing:

- 1. Expanded Credit Availability** — Equipment leasing normally doesn't impact your bank credit relationship, preserving your banks credit availability for short-term credit needs. Also, if a lease is structured as an operating lease, the lease obligation may not affect leverage ratios in bank loan agreement covenants.
- 2. Section 179 of IRS Code** — This rule allows total annual deductibility of up to \$125,000 (\$250,000 for 2008) for qualified equipment purchased or leased through a capital lease. The one catch is that the company's total equipment expenditures cannot exceed \$500,000 (\$800,000 for 2008) for the current tax year.
- 3. Circumventing Budget Restrictions** — Many companies consider equipment leasing an expense item not requiring a capital budget review process.

If you are looking at equipment leasing companies for your business, consider Marlin Leasing. Discover the advantages of using Marlin for your equipment leasing needs today.