# Financial Reasons to Use Leasing

### Financial Considerations

- Leasing requires little or no up-front cash versus a down payment in a loan
- Lessees can lower the cost even more by paying one or two advance deposits
- Whether zero, one or two down payments are used, leasing should result in lower monthly payments
- Leasing comes out of the operating budget, making it possible for you to use the working capital budget for equipment purchases more central to your core product or service offering
- Leasing can be an additional source of capital for you
- Low, fixed-rate payments protect against inflation and enhance budget planning
- Leasing allows you to finance additional costs such as freight, installation, maintenance and extended warranties.

### Financial Reporting Reasons

- Leasing can be done Off-Balance Sheet
- Leasing improves earnings through lower rental payments
- Leasing can improve financial ratios
- Return on Assets is improved when the lease can be assessed as an operating expense
- Debt-to-Equity is not increased when Off-Balance Sheet financing is used, helping to maintain your borrowing capacity

### Tax Reasons

- Certain lease structures allow you to keep assets off your balance sheet, treating the equipment as a tax-deductible operating expense instead of a capital expenditure
- Other lease structures require you to capitalize the equipment on your balance sheet, helping you to take advantage of the tax benefits of ownership, such as interest and depreciation deductions
- If you are a capital-intensive business, leasing may help to avoid triggering the Alternative Minimum Tax (AMT), which can be increased by equipment ownership
- Lease payments are not considered adjustment items and do not increase AMT liability

### Technological Risk

- Leasing hedges against equipment obsolescence risk
- Leasing provides the ability to upgrade equipment as needs change