TAXWEALTH

Farm Equipment Leasing Program

Offsetting High Taxable Income and Capital Gains Taxes while Generating Significant Monthly Cash Flow

Challenge

High income earners are sometimes in the position of being "asset rich" and "cash poor." How can they solve their income taxes issues or the capital gains taxes when capital assets are sold? Here is a planning approach to seriously consider.

Solution

Taking advantage of a customized business approach and using only a portion of the taxes that would otherwise be lost to the IRS, these funds can be leveraged to capture significant tax and income benefits. Customized to the client's needs, they can form their own rental/leasing company, usually a Limited Liability Company (LLC), to buy and rent/lease farm equipment.

Benefits

Potential to benefit from accelerated depreciation to reduce or eliminate federal and/or state income and capital gain tax liability on a personal level.

Business Model Highlights

- On behalf of the LLC, farm equipment is identified for purchase by a third-party specialist in that field.
- Between 80 to 90% of the equipment purchase price may be financed through existing third-party lending sources.
- Minimum purchase of equipment is $300,000 with a 10%, 15% or 20% down payment depending upon lender approval. For example, a $30,000 investment can provide up to $300,000 of equipment being purchased and depreciated.
- On behalf of client's LLC, the third-party farm equipment specialist rents/leases equipment to end users.
- Equipment owners are paid monthly rental income through the farm equipment specialist's revenue sharing platform. Client's LLC receives an amount that is equivalent to their monthly principal and interest payments on the equipment loan, plus a projected target rate of 18% net annual return on their down-payment/equity.

Tax Law Support

- Originally adopted in 1958, Section 179 of the U.S. Internal Revenue Code allows businesses to take an immediate deduction for business expenses related to depreciable assets such as farm equipment.

Case Example

- A high-income earner has a taxable income of $1,000,000 with federal and state income taxes of $503,000. His LLC invests $100,000 as a down payment to purchase $1,000,000 of farm equipment for his company to rent or lease.
- The accelerated depreciation on the equipment reduces his personal taxable income by 80% and saves him over $402,000 in federal and state income taxes. In addition, his LLC receives $18,000 in annual rental/lease cash flow.

 | www.TaxWealth.com | info@taxwealth.com | (800) 997-7646