

2002 POTENTIAL TAX BENEFITS OF LEASING

The installation of up to date shop equipment and computer systems can have a positive impact on your business for years to come. In addition, by taking advantage of the IRS Equipment Expense Election you could enjoy substantial tax benefits from the 2001 installation of your equipment. Read on to learn about your potential tax benefit.

2002 Tax Benefits of Equipment Expense Election

General Rule:

In lieu of depreciation deductions over the IRS defined useful life, taxpayers can elect **annually** to deduct **up to \$24,000** of personal property "placed in service" in a trade or business, provided the total cost of all personal property placed in service during the taxable year is less than \$200,000.

The amount eligible to be expensed is limited to the taxable income derived from the trade or business. By taking advantage of this "expensing loophole", your taxes can be reduced for the 2002 tax year.

Application/Opportunity:

Customers may elect to expense the following types of assets, if placed in service before the tax year-end:

- Shop Equipment
- Computer Systems
- Office Equipment and Phone Systems
- Store and Shop Upgrades and Signage
- Other Leasable Equipment

Note that with regard to the above items, if these items are leased through the authorized Financing Programs administered by WOLCO, through a capital lease, the current fair market value of the leased property may be written-off immediately for income tax purposes. The interest portion of the lease payment will be written-off as it is incurred. The principal portion of the lease payment will have been deducted using the expense election.

For instance, if a customer leases a \$5,600 brake lathe package through a WOLCO capital lease, the owner can elect to expense, for income tax purposes, the entire \$5,600 current fair market value in 2002. Of course, the owner would have to have had at least \$5,600 or more of taxable income before considering this expense election, to fully utilize the deduction. As always, consult your tax advisor to determine the applicability of the Equipment Expense Election to your particular business. Terms and conditions vary in Arkansas. If you have any questions about leasing please call WOLCO at 800-487-3636.