

PROGRAM: Equipment Leasing

DESCRIPTION: Leasing is an alternative to purchasing general equipment, furniture, medical equipment, office machines, typewriters and computers.

ELIGIBLE USE:

- Leasing provides the following benefits:
 - A tax advantage through accelerated depreciation,
 - Frees up cash for other uses,
 - Allows lines of credit to be used for other purposes,
 - Provides a hedge against equipment obsolescence, and
 - Provides a method of spreading the cost of equipment purchases over the useful life of the equipment.

PROGRAM/LOAN STRUCTURE:

- Operating lease: The term is shorter than the expected useful life of the lease. This type of lease is popular for high-tech equipment because short-term leases help equipment users prevent equipment obsolescence.
- Finance lease: The term is longer and matches the useful life of the equipment. The rental rate is usually lower because of the longer term and less residual risk.
- Sale-leaseback: Equipment is purchased, used for a period of time and sold to a lessor. The equipment is subsequently leased from the lessor, freeing up operating capital.

QUALIFICATION CRITERIA/COMMENTS:

- Interest rate, tax consequences and end use of equipment should be taken into consideration before leasing.
- One site for some additional information is <http://www.elaonline.org/> .