

A large blue semi-truck is shown from a side profile, driving on a multi-lane highway. The sun is high in the sky, creating a strong lens flare effect that radiates across the upper half of the image. Another truck is visible in the distance on the same road. The sky is a clear, vibrant blue with some wispy clouds.

# Discover the **benefits** of financing



# About DLL



## Global

We are a global financial institution that has been in business for more than 50 years, and a subsidiary of the Rabobank Group.\*



## Experienced

With 20+ years in the transportation space, our specialized teams understand your business and its changing landscape.



## Fast

We make doing business with us quick and easy by offering auto credit approvals, faster funding, etc.



## Flexible

We provide loans & leases of any size, with varying terms (24-84 months), on a range of equipment types.



## Competitive

We offer competitive pricing and have open lines of capacity.



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**Capital starts a business and keeps it growing.** Vehicles allow the business do its job more efficiently and competitively. Both are essential. Holding on to both of them often requires considerable effort and the right financial solution.

#### **Why finance?**

Financing allows businesses to acquire a significant asset without a down payment. They pay for its use out of their operating budget, not from capital reserves. And at the end of the loan or lease term, businesses may buy the vehicle for a fraction of the original cost, upgrade to something new, extend the lease at a reduced rate, or return the vehicle and simply walk away.

The vast majority of American companies, including most of the Fortune 500, utilize some form of vehicle financing. This number continues to grow as more and more businesses discover the advantages of leasing in today's marketplace. Financing is the fastest growing and largest external source of capital investment in the United States and throughout the world. Once understood, the economics of leasing can make an irresistible alternative to ownership.

#### **Financing, is it right for all businesses?**

Which is best, financing or buying outright? The choice depends. For example, what will happen to the vehicle's value as time goes on? What will the value be at the end of the economical life cycle? Will the vehicle remain functional or become obsolete before the end of its useful life? Can the capital or credit line be better used to leverage the financial returns? Which option will provide the best tax advantage? Only vehicles that will increase in value and can be acquired without draining the capital pool, should you consider buying. Financing is where DLL can help.

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## What's in it **for your business?**

### **The benefits of financing are easy and immediate. Here are some of the best:**

#### **Financing conserves capital**

Capital is best used for income producing investments, not necessarily vehicles. With financing the problem of vehicle vs. capital is solved. Businesses get use of the vehicle while capital stays where it belongs — working for the company.

#### **Financing keeps equipment up to date**

Purchasing equipment is not only expensive but, overall usage may increase or vehicle needs may change in a few years. Financing provides the ability to upgrade to the most current vehicle as these needs change.

#### **Financing protects other credit sources**

When loans or leases are used to acquire vehicles, businesses are less dependent on other conventional credit lines, which can then be used for other income producing activities or investments.

#### **Financing has tax advantages**

Within the Federal Tax reform Act of 1986, treatment of certain "preference" items raises the possibility of the Alternative Minimum Tax (AMT). Leasing may provide a means to minimize or even negate the impact of the AMT. (For further details consult a tax advisor.)



#### **Financing simplifies vehicle replacement**

With loans and leases, possession of and responsibility for the equipment is only for the respective term (unless the equipment is purchased at the end of the term). Financing eliminates the need to sell or store the vehicle at the end of its economic life cycle.

#### **Leasing provides 100% financing**

Leasing may include the entire vehicle cost. Leasing often provides 100% financing, requiring only an advance rental payment, thus eliminating such lender requirements as a down payment or a compensating balance on deposit.

#### **Financing provides a hedge against market fluctuations**

The lease signed today remains fixed in today's dollar and at today's rates. As a result businesses are better able to budget future operating expenses.

#### **Financing offers unmatched flexibility**

Vehicle may be acquired piece-by-piece, lease-by-lease or can be tied all together in a Master loan or lease. Financing provides for the option to purchase, upgrade, return, or extend a vehicles lease at the end of the term.

## Plenty of **flexibility** and choice

DLL offers a wide range of leasing and financing programs designed to meet the various business needs of today's vehicle customers. We finance vocational / over the road trucks and straight trucks with various applications and terms (ranging 24-84 month) to match. Some of our most popular transportation leasing options are featured below. Call your dealer call your DLL account representative with questions.

### Capital / \$1.00 Purchase Option

A Finance Lease in which vehicle is purchased at lease end for a nominal amount of \$1.00.

#### Features

- Level monthly payments
- Depreciation and interest deductions claimed by Lessee (subject to advice of tax advisor)
- Payment of vehicle over time

#### Benefits

- Fixed costs aid budgeting
- Lessee takes full advantage of tax benefits
- Conserves working capital

### Loan

Spreads out the cost of equipment over months or years.

#### Features

- Manageable monthly payments
- Terms up to 84 months
- Tax depreciation of the asset

#### Benefits

- Conserves working capital
- Flexible terms
- Customer takes tax depreciation

### TRAC / Split TRAC Lease

A Finance Lease in which vehicle is purchased for an amount specified in the lease or returned at lease end.

#### Features

- Level monthly payments
- Option to purchase for a fixed price
- Lessee may claim payments as expense (subject to advice of tax advisor)
- Payment of vehicle over time
- Vehicle may be returned at lease end

#### Benefits

- Fixed costs aid budgeting
- Optional ownership
- Lessee takes full advantage of tax benefits
- Conserves working capital
- Pay only for vehicle use

### Fair Market Value (FMV)

An Operating Lease in which the lessee can purchase the vehicle for a fair market value at lease end, extend the lease or return the vehicle.

#### Features

- Level monthly payments
- Option to purchase for a fair market price
- Lessee may claim payments as expense (subject to advice of tax advisor)
- Payment of vehicle over time
- May provide planned replacement

#### Benefits

- Fixed costs aid budgeting
- Optional ownership
- May provide tax benefits and minimize or negate the impact of AMT
- Conserves working capital
- At term end, vehicle may be replaced with new unit
- Lowers monthly payment



## Types of Leases

### Accounting Perspective

#### Capital (\$1 buyout)

A Capital Lease is one that meets any one or more of the four criteria per Financial Accounting Standards Board Number 13 (FASB-13). A Capital Lease is often structured with a bargain purchase option that can range from \$1.00 to some amount below the expected fair market value. A lease in which the present value of the payments exceeds 90% of the cost of the equipment would also qualify as a Capital Lease regardless of the purchase option.

A Capital Lease is a Finance Lease, which means that it represents nominal ownership for the customer. The cost of the equipment and the Lease obligation must be presented on the customer's balance sheet with a Capital Lease.

#### TRAC Lease

A TRAC Lease must not meet any of the criteria of FASB-13. A TRAC Lease is structured so that the customer uses the lift truck for the term of the lease with the options to renew, return the equipment, or purchase it at its fair market value at the end of the lease term. A TRAC Lease is basically a "Long-term Rental Agreement" in which the customer obtains the use of the lift truck without the risk or benefits of ownership. For accounting purposes these transactions are usually treated as off-balance sheet.

### IRS/Tax Perspective

#### Non-Tax Lease

A lease in which the lessee (customer) is considered by the IRS to be the owner is classified as a Non-Tax Lease. This type of arrangement is like a conditional sales contract. The title to the equipment does not pass to the customer until all required payments have been made, including the purchase option payment.

A Non-Tax Lease often has a purchase option for a predetermined price that is below the expected fair market value. The customer, in such a lease, assumes the risks of ownership and, from a tax standpoint, is considered the owner. The lessor in this type of lease is considered from a tax standpoint to have provided the financing.

#### Fair Market Value Lease (FMV)

##### (FMV Leases are not valid for owner operators)

From a tax standpoint a lessee would not be considered the owner of the leased lift truck with a Tax or True Lease. The lessor is considered to be the owner of the lift truck being leased in an FMV. With an FMV, the lessee is likely to receive lower rental payments because the lessor will receive the benefits of depreciation in computing his tax liability.

For the lessee, all payments on a Tax-Oriented Lease are tax deductible. To qualify as an FMV Lease certain IRS guidelines must be met. These guidelines are not the same as the four criteria outlined in FASB-13 used to determine Operating or Capital Lease status.

#### Lease Classification (At a glance)

	FMV Lease	Non FMV Lease
Tax	Lessee does not take tax benefits	Lessee takes tax benefits
Accounting	TRAC Lease	Capital Lease

To summarize the tax and accounting classification on leases from the lessee's viewpoint:

An FMV Lease can be either an Operating Lease or a Capital Lease, just as a Non-Tax Lease can be either an Operating Lease or a Capital Lease. Since the criteria for determining treatment differ between accounting and tax it is possible to be considered the owner for accounting purposes (Capital Lease) and not be the owner for tax purposes, and vice versa. The lessee's accountant and tax advisor must make the classification determination.





**Our team of transportation professionals offer proven industry experience wrapped around the highest quality of service. We are ready to answer any questions you may have or assist with your next transaction.**

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**To find out more about the benefits of leasing, please contact us today:**

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**Visit our online dealer truck stop for credit applications, a payment calculator, insurance requirements and more:**

<http://info.dllgroup.com/transportation>

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