

Municipal Equipment Leasing



Municipal equipment leasing offers several advantages over alternative methods of financing. First and foremost is simplicity. Under most state statutes, municipal contracts with terms of over one year require significant investments in time and money to comply with municipal debt restrictions. A Municipal lease is, in effect, a year-to-year obligation; therefore many of these restrictions do not apply. Although a Municipal Lease has terms from 12 to 60 months typically, termination for non-appropriation distinguishes a Municipal Lease from all other types of leases. The obligation to pay is subject to appropriation being made annually over the term set forth in the lease.

Another major advantage is economy. Municipal Leases are most often the least expensive method of financing equipment. The slight interest rate advantage offered by a municipal bond is off set by the legal and administrative costs incurred in generating the bond issue. A Municipal Lease does not require separate legal or underwriting fees that the municipality would incur with a bond issue.

Municipal leases are governed by the Internal Revenue Code. Under these requirements, a qualified state or local Government Agency or governmental subdivision can finance property acquisitions under contracts in which the interest income the leasing company derives, will be exempt from Federal Income Tax. The IRS requires these transactions be: 1. A lease to own plans, (installment purchase); 2. For equipment that is essential to the government function; and 3. The contract can not have a significant residual or balloon payment at the end of the contract term. This tax exemption to the leasing company typically means lower interest rates than commercial equipment leasing.

Acceptance Leasing and Financing Service, Inc. provides Municipal Leasing solutions to municipalities across the country, through a network of underwriters. Please contact us regarding any questions you may have regarding this as an option for acquiring necessary equipment.

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