

Auto Rental



Accruit



Accruit 1031 Like-Kind Exchanges: Helping Automotive Rental Businesses Transform Tax Liability Into Cash Flow

Rental firms across the country have, in recent years, waged an ongoing battle against shrinking margins in their attempts to thrive in increasingly competitive markets. Now, in addition to these pressures, credit lines have dried up and even the largest firms are struggling to find reliable sources of operating cash.

Fortunately, there's a tried and true strategy for driving cash flow – Section 1031 Like-Kind Exchanges (LKEs), which allow companies like yours to keep your cash and invest it back into the business.

The Accruit Advantage: We provide the only comprehensive, fully integrated LKE solution in the nation.

- › Our programs are built on the **only patented LKE process in the industry**.
 - › Accruit provides **every type of 1031 exchange allowed**; additionally, we manage exchanges for both corporate assets and real estate.
 - › We conduct **250,000 exchange transactions annually** and have roughly **\$8 billion in assets under management**.
 - › We serve **500+ clients in more than 20 industries**, and have to date helped these companies transform **billions of dollars** in tax liability into valuable operating cash.
 - › With 80+ program clients, we're the **largest provider of repetitive 1031 exchange programs** in the nation.
 - › Accruit's client list includes:
 - One of largest energy companies in the world
 - Two of nation's top 10 national bank and leasing companies
 - Over 60% of all Caterpillar Network Dealers with 1031 programs
- › Accruit clients are supported by a unique, **one-to-one client service model** that puts your account in the hands of a dedicated client service manager who's intimately familiar with the details of your program.
 - › We're the **exclusive LKE provider** for FIS, the world's top-ranked technology provider to the banking industry; PLS; Network International and Ritchie Bros., the world's largest industrial auctioneer.
 - › Our primary concern is the **security of client funds and data**.
 - We work with the nation's **top-rated financial institutions** and client funds are invested to **assure 100% liquidity and preservation of principal**.
 - We provide a variety of **(bankruptcy-remote) banking programs** that are tailored to each client's specific requirements.
 - **Customer funds are never commingled** with Accruit operating funds.
 - Client information is secured in a national data center that is **annually audited and approved for ISO 9001 and SAS 70 certification processes**. More than 300 proprietary ISO-compliant processes are tested to reduce human error and enhance reliability. The latest and most reliable security solutions are employed to provide 24/7/365 Internet surveillance, secured access monitoring and tracking, encryption and certification, proprietary software, multiple physical layers of security and multiple layers of redundancy.
 - › Our **98% client retention rate** attests to the end-to-end value our customers find in their 1031 exchange programs and their relationships with Accruit.
- 1031 exchanges are Accruit's only business, and our keen focus allows us to consistently **maximize our clients' return while minimizing their risk and administrative burden**.

"Accruit works with us closely to understand the complexities of our business, crafting a comprehensive, customized approach that works for Union Leasing. Their client services group has shouldered the responsibility for making sure that the entire program runs smoothly and they also work with our outside accountants to help assure that the system configuration supports our tax position. We recommend Accruit to any company in the leasing and transportation industries, regardless of the size of their portfolio or the complexity of their challenges." - President, Union Leasing

How Like-Kind Exchanges Work

Section 1031 of the Internal Revenue Code (IRC) allows automotive rental businesses like yours to defer the taxes associated with the gain on sale of depreciated assets, provided those savings are then reinvested in “like-kind” assets. If you sell a portfolio and use the proceeds of the sale to purchase other like-kind assets, for instance, the taxes you would have incurred are then deferred.

1031 is a well-established tax strategy that’s been on the books for over 85 years, and companies operating in a wide range of industries are using it to transform billions of dollars of tax liability each year into available cash. The benefits of an LKE are realized through the services of a qualified intermediary (QI) like Accruit – the leading QI for corporate assets in the United States. Tax regulations mandate that the LKE include a disinterested third party to manage the funds associated with the LKE transaction. This third party – the QI – may not be your employee, attorney, accountant or other related party.

The QI holds the proceeds from the sale of the relinquished property, prepares the necessary documents to accomplish an exchange and disburses the proceeds at the appropriate time. The role of the qualified intermediary is critical, and the QI should therefore have this as their primary – or only – business. The QI should be bonded (and in some states *must* be bonded); operate according to a tightly defined process that provides clients with a comprehensive audit trail; and provide documentation demonstrating that the funds are secured and 100% liquid, and that principal is protected. Working in concert with your tax advisor, an Accruit-facilitated LKE defers the gain when the assets are sold, allowing you to maintain cash that would otherwise be paid.

You can defer taxes whether executing one 1031 transaction or many, and Accruit will work closely with you and your tax advisor to tailor a program that’s optimal for your business requirements.

“As the thought leader and subject matter expert on personal property Like-Kind Exchange services, Accruit sets the standard for Qualified Intermediaries and LKE service providers. While the equipment leasing and finance industry continues to mature, a managed program for Like-Kind Exchanges is a powerful, structural component for optimizing tax efficiency and Accruit is the leading single-source provider of these services.”

Joseph C. Lane, Vice Chairman, Sinter Capital; Former CEO, GATX Capital, IBM Credit Corp. and GE Technology Finance



Case Study: American Value Automotive*

American Value Automotive (AVA) is a large licensee serving the western United States. Their portfolio includes light trucks and automobiles (cars comprise roughly 95% of their assets).

THE PROBLEM

AVA sells 3,000 vehicles per year, generating \$72MM in revenue. The assets have a five-year MACRS life, but the average hold time is just six months. The company’s combined state and federal tax rate is approximately 40%.

THE ACCRUIT SOLUTION

Accruit developed a powerful repetitive program for the company that keeps track of depreciation, including complex layers of step-in-the-shoes depreciation calculations. Accruit’s service model provided the client with a dedicated client services manager assisting with the sale and purchase data feed each month. By optimizing the data before tax filing, Accruit was able to help AVA defer additional taxes.

THE RESULTS

After four years in an Accruit LKE program, AVA was able to reduce its taxable gain by \$3.3 million per year, allowing them to transform \$1.32MM in tax liability into working cash flow. This benefit has been used to bolster the AVA fleet, helping them remain competitive in a difficult economic environment.

* Based on actual client.

Auto/Truck Rental
Construction
Green
Heavy Equipment
Leasing
Manufacturing
Mining
Oil & Gas
Real Estate
Telecom/IT
Transportation
Utilities
Investment



Accruit
The TOTAL 1031 Exchange Solution

1514 Curtis St.
Suite 300
Denver CO 80202
o: 866-397-1031
f: 303-865-7399
www.Accruit.com
info@Accruit.com

Board Member



Federation of
Exchange
Accommodators

Information contained in this brochure should not be construed as tax advice or as a promise of potential tax savings or reduced tax liability. For more information about Like-Kind Exchange services, contact Accruit, your tax professional, or visit the Internal Revenue Service Web site at irs.gov.