



## Case Study: Large Equipment Dealer Recognizes \$20M Increase in Cash Flow in Six Months through Like-Kind Exchanges

### Primary concern

The client consistently maintains a positive income position and, because of consistent turn over in their rental fleet, is burdened with a substantial tax liability on the sale of these assets.

### Challenge

The client's leadership was presented with a strategic acquisition opportunity. Therefore an improved cash position became very important in helping the organization meet its business objectives. During this time, the Treasury Department released further guidance on Internal Revenue Code 1031 and the client read about the concept of repetitive Like-Kind Exchanges (LKE). By adopting an LKE program, the client would realize an increase of its available cash, rather than incurring more debt, in order to complete the acquisition. But, after a thorough investigation, the frustrating reality of adding head count and the complexity involved to accomplish LKEs internally threatened cancellation of the effort.



### Solution

Working with their tax advisor, the client invited Accruit to evaluate their current business processes, rental portfolio and circumstances for implementing a repetitive Like-Kind Exchange solution. The Accruit team, working with the client's tax advisor, completed a detailed assessment and implemented an Like-Kind Exchange solution. Using the Accruit proprietary systems and processes, the client monitored their rental sales and purchase activity to qualify transactions as "safe harbor" Like-Kind Exchanges. The resulting program provided a full-service solution, including asset tracing, LKE matching, an integrated Qualified Intermediary services and banking & treasury operations.

### Result



The decision was made to include only 50% of its rental fleet in the Like-Kind Exchange program and after 6 months, the client increased its cash position by \$20m and realized a tax deferral totaling \$8m without adding extra staff. This program allowed the company to maintain a favorable debt-to-cash ratio thereby significantly reducing the financing necessary to complete the pending acquisition. The cost for implementation was recaptured after only 4 transactions, and the annuity value of the program will substantially reduce the company's tax burden indefinitely. Furthermore, the Accruit Like-Kind Exchange solution will encourage strategic asset management of its fleet to maximize rental profit and residual value.