



Case Study: Mid-Size Equipment Dealer Recognizes \$13 m Increase in Cash Flow with a Like-Kind Exchange Program

Primary Concern

In the years 2002 through 2004 the client took advantage of Bonus Depreciation. This created additional cash flow for those years but the expiration of Bonus in January 2005 meant the client would soon have to pay that benefit back.

Challenge

The client's financial department and tax advisor were challenged by leadership to uncover a method to mitigate or even delay the pending cash drain anticipated upon the expiration of bonus depreciation. The company had realized a significant benefit by taking bonus however the existing positive benefit would be greatly reduced if additional credit had to be secured to pay back the benefit of bonus depreciation.



Solution

The client's CFO met with Accruit at an industry trade show and was introduced to the concept of repetitive Like-Kind Exchanges. Accruit team members were invited to the client site to evaluate their current business processes and rental portfolio. The Accruit team, working with the client's tax advisor, completed a detailed assessment and benefit calculation which was presented to the company leadership. Leadership immediately recognized that Accruit's Like-Kind Exchange solution not only accomplished their goal of halting the negative impact of bonus depreciation expiring, but also expanded that benefit by \$13 million. The team decided to implement the Accruit Like-Kind Exchange solution and gave it the highest priority among current projects within the dealership.

Result

Because the Like-Kind Exchange program implementation had the full support of senior management, the project was completed on time and under budget. Instead of the forecasted cash flow shortage the company had been preparing for, they experienced a cash windfall. This windfall solved many other problems facing the dealership, including a ten-fold reduction in their short term borrowing requirements as well as providing the necessary capital to finance their upcoming dealership operating system software upgrade.