



## Case Study: Equipment Dealer Recognizes \$2.5M 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.

The tax advisor and client's financial department needed to uncover a method to mitigate or even delay the pending cash drain anticipated upon the expiration of bonus depreciation. Bonus depreciation has allowed the client to realize a significant benefit 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 CFO met with the Accruit team and was introduced to the possibility of repetitive Like-Kind Exchanges. Accruit team members visited the client site and evaluated their current business processes and rental portfolio. Working with the client's tax advisor, Accruit 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 \$2.5 million. The leadership opted to implement the Accruit Like-Kind Exchange solution immediately.

## **Result**

Because the Like-Kind Exchange program implementation had the full support of the leadership, 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. The cash windfall enabled the dealership to solve many other problems, including a ten-fold reduction in their short term borrowing requirements as well as providing the necessary capital to finance an upcoming dealership operating system software upgrade.

