



## MAINTAINING PRODUCTIVITY, LIQUIDITY, AND TAX PLANNING IN A COVID ENVIRONMENT.

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Preserving capital during the COVID-19 crisis has been a core priority for many businesses. The pandemic has affected many industries, supply chains, and labor availability and it is likely to continue to disrupt business for some time. However, there are ways to fortify your business, preserve capital, and manage federal tax position.

Now is the time to do a business review to determine your equipment acquisition plan for 2021.

As important, your tax planning for this year should include a review of purchases you made in 2020 to determine if you can utilize all the depreciation benefits to which the business is entitled. If additional depreciation benefits aren't needed, then consider a sale/leaseback on equipment purchases made earlier. This can restore cash levels by converting equity into liquidity.

### LEASE OR LOAN

There are several ways to procure equipment. Making payments through a term loan could be beneficial, particularly in a low-interest rate environment like we are currently experiencing, plus the borrower could benefit from the accelerated tax depreciation.

If retaining maximum liquidity is the goal, however, a lower payment option through a tax lease may be the answer. Deciding between a loan financing and a tax lease could depend on various factors, including cash flow conservation, current tax position, equipment obsolescence and end of term return options.

### WORKING CAPITAL IS CRITICAL

The pandemic has left many businesses cash-strapped, and others less impacted taking a more cautious approach to managing their assets. In this environment, a large capital purchase needs to complement a conservative cash management strategy. A tax lease suits this approach and benefits the business by providing 100% financing. This preserves valuable working capital for business operation.

### CHOOSING THE RIGHT FINANCE STRATEGY

The key to understanding which solution is best for your equipment finance needs begins by working with a lending professional that offers both options in a consultative approach. Whether a term loan or a tax lease, the repayment solution should be one that best suits your business needs for today's environment. Having the ability to switch between the two as your financial needs and tax benefits change is important to maintaining your company's health through challenging times.

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