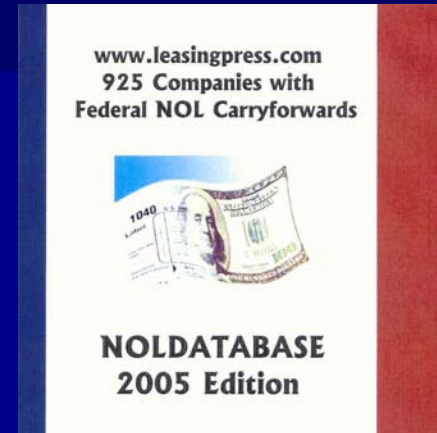


The 90 Second Lessor



Selling Tax Leasing to NOL Firms

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Selling Tax Leasing to NOL Firms

In a nutshell, find companies that can't use new tax deductions (depreciation) currently because they have prior losses offsetting current income—NOL companies. Have them sell their depreciation to you—the lessor—and help them lower their cost of using assets. They should lease—not buy. Flip forward for the NOL story outline.

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[1] A tax lease means the lessor owns & depreciates equipment—not the lessee.

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[2] The ideal tax lessee does not currently pay income taxes due to tax losses incurred in previous years.

The trick is to find companies with prior losses (NOLs) that are currently making money!

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[3] A Tax loss lessee, referred to as an NOL company (Net Operating Loss), has little tax incentive to buy new equipment.

What would an NOL firm do with new depreciation deductions if it bought new equipment? Put them in a drawer!

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[4] NOLs can be carried forward for 20 years—what if a tax lessee believes that is how long before it can use up its losses (by offsetting them against currently taxable income)?

Then the deductions are not worth much. The lessee will use up existing deductions before using new ones (FIFO accounting).

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[5] If a tax lessee could expense equipment with a cost of \$400,000 and a tax rate of 35%, the deductions would decrease the lessee's tax bill by \$140,000. If the lessee had to wait 20 years to use up their losses, new depreciation deductions would be worth, at a time value of money of 12%, a mere \$14,500!! A 90% loss.

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[6] Then what could an NOL company do instead of buying needed equipment? Sell the depreciation deductions on new equipment to a lessor by leasing rather than buying.

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[7] By leasing equipment, the equipment user—the NOL company-- gets the benefit of someone else depreciating the equipment, and realizes a lower financing cost in the process. A win win.

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[8] O.K., so you are looking for companies with NOLs to make your tax lease pitch. Where do you find them?

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[9] To find NOL companies you can use one of two methods. First, you can wade through the annual reports of thousands of companies that file with the Securities and Exchange Commission and read their tax footnotes. Look for companies indicating they have net operating loss carryforwards.

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[10] The second method of finding NOL companies is to license the NOLDataBase © 2005, which has found your leads for you—over 925 companies waiting for you to call.

We have already waded through the tax footnotes for you and recorded what you need to know in a searchable database.

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[11] Remember that NOLs expire. That means if you look for companies with NOLs that will expire in the next few years, they will have a greater sense of urgency to use them or lose them. The NOLDataBase © 2005 has found expiration dates for you.

Tax leasing and tax sale/leasebacks are good tools for using soon to expire NOLs.

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[12] Some companies have restrictions on their ability to use their NOLs—ruled by Section 382 of the Internal Revenue Code. You should know if restrictions apply. The NOLDataBase © 2005 captures these restrictions for you.

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[13] How can you tell if a firm thinks it will produce income in the future to use its NOLs? One way is to look at their tax valuation allowance. If they do not offset their NOLs with a valuation allowance, they are confident they will be profitable in the future. The NOLDataBase © 2005 captures this information for you.

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[14] What if you only follow companies in certain states or in specific industries, or only companies with certain asset, revenue or income parameters? No problem—the NOLDataBase © 2005 has over 20 variables by which you can search. See next page for searchable fields.

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[15] Searchable fields:

- City
- State
- Zip
- Phone
- Stock exchange
- Ticker symbol
- Cusip number
- DUNS number
- SIC
- Fiscal year end
- Auditor

Searchable fields:

- Sales growth %
- Net PP&E
- Total assets
- Shareholders equity
- Sales
- EBITDA
- Net Income
- Federal NOL in \$
- Section 382 restrictions
- NOL Expiration
- Valuation allowance

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For more information on the powerful
NOLDataBase © 2005 prospecting tool,
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- Visit www.leasingpress.com to download a sample of records.
- Price: site license \$3,895.