



TRAC Lease Overview

TRAC Leases are one of the few "true tax lease" structures that Lease South, LLC recommends.

- Lease payments may be expensed for tax purposes
- Residual is stated up front at lease inception (no surprises)

TRAC Leases have none of the penalties associated with other vehicle leases.

NO Mileage Limits or Charges

NO Body Damage Charges

NO Sign or Lettering Restrictions

NO Paint Scheme Restrictions

A **TRAC Leases** is a modified **Open End Lease** with a **Terminal Rental Adjustment Clause**. TRAC Leases are limited to motor vehicles and trailers leased to businesses and used at least 50% of the time for business purposes.

TRAC Leases are unique in that federal tax rules permit a **Rental Adjustment** (cash rebate) back to the lessee at lease termination and still be treated as a "true tax lease".

How TRAC Leases work:

At the beginning of the lease a **Residual Amount** is chosen that will be used to determine monthly payments.

- Higher Residual Amounts = lower monthly payments = higher purchase options
- Lower Residual Amounts = higher monthly payments = lower purchase options

At the end of a TRAC Lease you have 4 choices:

1. **Purchase** the vehicle for the **Residual Amount**.
2. **Trade-in** for a replacement vehicle. Apply any positive rent adjustment to the new vehicle.
3. **Extend** the lease by financing all, or part, of the **Residual Amount**.
4. **Turn in** the vehicle and be eligible for a **Rent Adjustment** (cash rebate or deficiency) based on sale proceeds over the **Residual Amount**. If the vehicle sells for less than the **Residual Amount** you are responsible for the deficiency... more than the **Residual Amount** you are entitled to the overage. Purchase the vehicle for the **Residual Amount** and there is no further obligation on your part.

Example of a TRAC Lease Cash Rebate at Lease End

Original Cost Of Vehicle:	\$25,000
Residual Amount:	\$5,000
End of Term Sale Proceeds:	\$6,000
Terminal Rent Adjustment:	Cash back to lessee: \$1,000

This information is based on accepted accounting principles and interpretations. It is intended to help you understand Commercial Leases. This is not to be considered tax or legal advice. Always consult with a qualified tax or legal advisor regarding any aspect of the federal tax code.

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