



American AgCredit
MONEY FOR AGRICULTURE

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AgDirect: Farm Equipment Leasing Remains Profitable

*Extension of Bonus Depreciation, Section 179 Rules
Makes Leasing Farm Equipment a Viable 2013 Option*

SANTA ROSA, CA (January 2013) – Given the continuing – and seemingly endless – fiscal challenges nationwide, it’s a pleasant surprise when politicians and businesspeople can find common ground and commit to it. Two measures agreed upon by Congress and the administration early this year are important to agricultural equipment dealers and their customers.

“First, the 50 percent bonus depreciation program was extended through 2013, and applies to new equipment placed in service during the year,” explained Amy Weum, an agricultural leasing specialist with AgDirect®. AgDirect is equipment financing program offered by American AgCredit and the partners of AgDirect, LLP, through more than 2,300 agricultural equipment dealers in California and Nevada, and number 18 states.

“Also, the deal temporarily extends the previously enacted increase in the maximum amount and phaseout threshold under Section 179 expensing,” Weum added. “The provision approved by the House and Senate for 2013 returns the maximum amount to \$500,000 and the phaseout threshold to \$2 million – the levels in effect in 2010 and 2011. These rules apply to new and used equipment acquired in 2013. For some producers, these extensions make leasing a viable option if they plan to acquire equipment this year.”

Compare Options

According to Weum, dealers can provide a service to their customers by helping them compare the financial benefits of purchase and leasing approaches to equipment acquisition.

“The extended Section 179 limits could sway some producers toward paying cash or using a loan to finance the purchase,” Weum noted. “However, leasing will remain a compelling tax planning tool for three reasons: deductions are level over the lease term; capital is freed up for other purposes; and, most importantly, leases provide 100 percent financing and low payments.”

(more)

Large-Volume Considerations

Weum said the bonus depreciation and Section 179 expensing extensions are particularly useful for producers who plan to spend \$500,000 or more on equipment acquisition in 2013.

“Producers who are planning to acquire at least \$500,000 worth of equipment this year should consider leasing so they can preserve their Section 179 deductions,” she said. “Also, producers who spend more than \$2 million on equipment this year begin to lose their Section 179 deduction for every dollar of equipment they purchase over \$2 million; they completely lose the deduction if their purchases exceed \$2.5 million. Leasing can help avoid this.”

Back Again: Just Lease It

With the bonus depreciation and Section 179 terms established for the year, AgDirect is extending its popular “Just Lease It” program for 2013, Weum said.

“This program offers a true lease with rates 50 basis points below standard in lieu of bonus depreciation,” she explained. “AgDirect takes the bonus depreciation, monetizes it and passes back some of the tax benefit in the form of a lower lease rate for the customer. The customer then takes a payment write-off instead of depreciation. The nature of a true lease allows customers to preserve their Section 179 deductions and provide the payment write-offs.”

She also noted that there’s no prepayment penalty on AgDirect leases with balances under \$500,000.

For more information about leasing, including half-year lease terms, Weum advises producers to contact their ag equipment dealer or their local American AgCredit loan officer.

About American AgCredit

Founded in 1916, American AgCredit is part of the nationwide Farm Credit System, and is the nation’s 6th largest Farm Credit cooperative. American AgCredit specializes in providing financial services to agricultural and rural customers throughout California, Nevada, Central Kansas, Northern Oklahoma, Western Colorado, and Northern New Mexico – as well as to capital markets customers in 30 states across the nation.

Financial services provided by American AgCredit include production and mortgage financing, equipment and vehicle leasing, crop and life insurance, lines of credit, and the Young, Beginning and Small farmer program. In addition, the Association provides interest-free loans for qualifying 4-H and FFA AgYouth programs, as well as college scholarships to young people interested in agriculture.

For more information about American AgCredit’s financial services, call 800-800-4865 or visit the website at www.agloan.com for a listing of offices by region.