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BENEFITS OF TAX-EXEMPT MUNICIPAL FINANCING Advantages for the Government

Lease/Purchase financing is designed to complement, not replace, bond financing. Leases afford government agencies the opportunity to acquire equipment during the current fiscal year instead of their having to wait until the next budgetary cycle. In addition, leases offer the following advantages to the government.

- **100% financing** to include delivery and installation costs.
- Terms available up to **ten years**, sometimes longer (depending on the collateral).
- **Tax-exempt interest.** Lease payments include principal and an interest portion. The IRS has determined that interest paid in this manner is exempt from federal and state income tax. This means the government can take advantage of **lower interest costs**.
- **No debt created.** Lease payments are subject to annual appropriations, which means that the obligation is not subject to statutory debt limitations. Since no debt is created, municipal leases **do not require voter approval**.
- **Budget enhancement.** Leasing allows public agencies to **acquire needed improvements** now rather than wait until next FY or beyond.
- **Leveraged dollars.** Leases may be designed to match finance terms to the expected useful life of the asset and **spread the cost** over a multi-year period.
- **Flexibility.** Payments may begin upon installation or delayed until the next fiscal year. In addition, they may be made in monthly, quarterly, semi-annual or annual installments.
- **Equipment and Real Property** financed through a tax-exempt lease may be **funded into escrow** to facilitate project financing or **progress payment** requirements.
- **Cost effective.** Lease approval and documentation is very **inexpensive** to initiate.

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