

## Frequently Asked Questions About Tax-Exempt Municipal Leasing

### 1. *What is a tax-exempt lease?*

A tax-exempt lease or lease-purchase agreement is an installment purchase, conditional sale or lease with an option to purchase for nominal value. It may also be referred to as a municipal lease.

### 2. *Who qualifies for tax-exempt financing?*

The issuer of a tax-exempt obligation, including a tax-exempt lease, must be a State or possession of the U.S., the District of Columbia, or a political subdivision thereof. Political subdivisions include cities, towns, counties and other municipalities. They may include other state entities such as school districts, special purpose districts (fire, parks, utility, water, etc.), hospitals, agencies, authorities, boards and commissions.

Not-for-profit organizations created under Section 501 (c) (3) of the Internal Revenue Code do not qualify directly as issuers of tax-exempt obligations but may be eligible with a sponsoring governmental unit. Not-for-profit organizations benefiting from tax-exempt leasing include:

- Health Care (Hospitals, Clinics, Nursing Homes, Life Care Centers)
- Education (Colleges and Universities, Preparatory Schools)
- Museums
- Research Centers

### 3. *What are some of the benefits of tax-exempt leasing?*

The benefits of a tax-exempt lease include:

- Preservation of capital dollars for other projects for which leasing is not an option
- Preservation debt limitations does not create long-term debt on the entity's books
- Enables improvement of cash flow
- Incorporates flexible structuring to meet budget needs
- Low rates resulting from tax-exempt basis
- Offers an alternative financing option without voter approval
- Provides project financing (including soft costs)
- Spreads out the cost of an asset over the useful life of that asset or project.

### 4. *What can be financed on a tax-exempt basis?*

Tax-exempt financing is typically utilized for equipment acquisitions. It may also be used for other capital expenditures, e.g., purchasing property, implementing of a specific project, or expanding existing facilities. Both personal property and real property can be leased. This includes personal property such as:

- Telecommunications Systems
- Computers
- Vehicles
- Energy Management Systems
- Recreational Equipment
- Emergency Services Equipment