

## **ELFA Policy Statement on Comprehensive Tax Reform**

The Equipment Leasing and Finance Association (ELFA) supports a tax code that promotes economic growth, competition, fairness, and predictability. In October 2012, in order to inform the ongoing tax reform discussion in the U.S. Congress, the ELFA Board approved the following set of principles for comprehensive tax reform that ELFA will use to evaluate tax reform proposals.

### **Treat Owner-Lessors and Owner-Operators in a Tax Neutral Manner**

- ELFA supports tax reform proposals that place owner-lessors on the same footing with an owner who is operating the same item of plant or equipment.

### **Maintain Cost Recovery and Interest Deductions**

- It is a long-standing principle in the U.S. tax code that income is taxed, and that business income is broadly defined as revenues less expenses. Accordingly, ELFA supports tax reform proposals that:
  - Maintain the ability of businesses to deduct business interest associated with the financing of equipment.
  - Preserve the ability of businesses to count leasing expenses against revenue when they are calculating their income subject to tax.
  - Retain the ability of businesses to depreciate capital assets over time according to well-reasoned depreciation schedules.
  - Continue provisions in the IRC that promote capital formation, such as 100% expensing and maintaining section 179 expensing levels.

### **Provide a Level Playing Field for Lessors and Other Finance Providers**

- ELFA supports tax reform proposals relating to the deductibility of net interest that place lessors on the same footing with lenders financing the same item of plant or equipment.

### **Maintain Tax-exempt Treatment of State and Local Government Obligations**

- ELFA supports tax reform proposals that maintain the tax-exempt status of state and local government lease purchase or installment sale contracts, which are a cost-efficient means for state and local governments to acquire capital equipment and projects.

### **Promote a More Competitive International Tax System**

- ELFA supports tax reform that moves our nation's corporate tax structure toward a territorial system. ELFA also supports tax reform that maintains the Active Financing Exemption to Subpart F.