

Auto Rental



Case Study: Accruit 1031 Like-Kind Exchanges Drive Multi-Million Dollar Benefit for Major Auto Rental Licensee

Case Study: American Value Automotive*

American Value Automotive (AVA) is a large licensee serving the western United States. Their portfolio includes light trucks and automobiles (cars comprise roughly 95% of their assets).

THE PROBLEM

AVA sells 3,000 vehicles per year, generating \$72MM in revenue. The assets have a five-year MACRS life, but the average hold time is just six months. The company's combined state and federal tax rate is approximately 40%.

THE ACCRUIT SOLUTION

Accruit developed a powerful repetitive program for the company that keeps track of depreciation, including complex layers of step-in-the-shoes depreciation calculations. Accruit's service model provided the client with a dedicated client services manager assisting with the sale and purchase data feed each month. By optimizing the data before tax filing, Accruit was able to help AVA defer additional taxes.

THE RESULTS

After four years in an Accruit LKE program, AVA was able to reduce its taxable gain by \$3.3 million per year, allowing them to transform \$1.32MM in tax liability into working cash flow. This benefit has been used to bolster the AVA fleet, helping them remain competitive in a difficult economic environment.

* Based on actual client.

"To keep our competitive edge, it is critical that RES Enterprises take advantage of every best practice in our industry, and Like-Kind Exchange is clearly a best practice for car rental companies. Being able to defer taxes while increasing our cash flow has enabled us to operate more profitably and reinvest in our growing business. What we like best about Accruit's Like-Kind Exchange service is their end-to-end management of the Like-Kind Exchange process and their superior client service. Equally importantly, Accruit provides us with a complete audit trail and all the reports we need to prepare our tax returns."

- CEO of Hertz System Licensee RES Enterprises, Inc.

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