The End-Of-The-Year Rush

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The final quarter of the year. To many people, it may seem like time to wind down, catch your breath and wait to see what the new year will bring. Instead it is time to ramp up when it comes to investing in capital equipment. From a financial and strategic point of view, you're not at the end of 2011; you're looking at the final days of 2012 when considering the tax breaks and competitive advantages you can derive from your capital assets for that period. In short, time is running out to take action that can benefit your business in the upcoming calendar year — and beyond.

The bottom line: assets must be placed in service in 2011 to apply any attendant tax breaks in 2012. You still have time to select equipment, negotiate the transaction and obtain financing, but you have to move. If you've been considering particular capital acquisitions already, then you're ahead of the game in terms of research and possibly negotiation. While no one can predict all the economic and business developments we'll see in 2012, one thing is for sure — you'll be glad for any extra tax breaks you can realize in that calendar year due to actions in the previous tax year.

Capital equipment purchases or leases present a number of tax incentives, particularly as the government has sought to encourage business growth amid continuing economic uncertainty. For example, the Small Business Jobs and Credit Act extended 2010's incentives to machinery and equipment put into service in 2011 including an increase in first year depreciation to 100 percent of value. This means the complete cost of new capital equipment can be applied against your business' net income for the year. By calculating the deduction with your tax professional, you can plan how to make the most of these savings. The ability to forecast such a financial benefit is another reason to bring new capital equipment online before year's end. Note that the tax breaks of the Small Business Jobs and Credit Act end on December 31, 2011.

The government's generous tax breaks can improve your financial position for 2012. There are even more financial advantages you can realize from bringing new equipment into service in the last quarter of 2011. Interest rates — another area where the federal government plays a major role — are at rock-bottom levels. This allows you to access more capital more affordably. Additionally, you may be able to negotiate excellent deals for equipment and machinery. Economic wariness among

manufacturers can increase their willingness to win your business with better prices and terms.

Then there is the cash-generating action of the capital equipment itself, realized in greater efficiencies, improved cash flow that can be allocated to business-building activities, and new business earned from your company's superior performance through the use of new equipment and machinery. Food processing is a perfect industry to showcase the benefits of acquiring new capital equipment before the end of 2011. Creating product is frequently a continuous process, putting high demands on equipment. Just-in-time methodology is key due to the need for freshness and the push to eliminate storage costs. Profit margins are razor-thin for all in the channel — commodities, processing, transport, retail.

The ability to produce and deliver quality product in the highest possible volume in the shortest amount of time is your company's mandate. This ability depends on the output of your manufacturing and transportation systems. Upgrades in these areas now can give you a competitive advantage in 2012, a year that is not promising any breathing room for your company or your customers.

More efficient equipment can reduce your business' costs, which can help you lower your prices and/or increase your marketing and business development budgets. Either action targets your customers. Attractive terms are a time-honored attention-getter and deal-closer. New levels of outreach are another way to tap additional business. Your entire enterprise receives positive results from having the right capital equipment, including the accounting, marketing and sales departments.

Food processing is an intensive business. It is easy to be consumed by the day-to-day operations of your company. It's time to look at things from a financial perspective and consider the long-term benefits of an investment in capital equipment. The closing months of 2011 present unique opportunities to maximize that investment, but you need to act now. The first step is to schedule a consultation with your local business banker. See how a capital equipment acquisition today can reap tax breaks, cost savings and more revenue in the months and years to come.

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