

Capital exemption for a startup

Literature, Russian Literature



The need for a sufficient capital investment is always necessary for a good startup. Capital exemption is one of the most important benefits that startups enjoy from a tax point-of-view. There is the benefit of writing off taxes on startup capital. However, with a limited budget of \$20, 000 it would not be possible to purchase all of the equipment that would be required for the startup of ROP. Being in the home solutions business ROP would require the following capital investment:

1. Pickup truck

- a. Cost range \$5000-\$6000

- b. Dedicated work truck. Use of home personal vehicles will interfere with work schedules, and conflict with sending out crews by them selves.

- c. Snow blade attachment for winter plowing. Small investment for a large return.

- i. Look for a package deal when purchasing a truck. Usually a \$1000 adder

- d. Small snow blower for walkways

The cost of the pickup truck is within the budget range and would contribute to significant cost savings. The snow blowers for the walkways would be a very important asset to the operations of ROP. There will be a high return on the investment of the snow blade since it is a revolutionary product that would handle winter plowing by being an attachment to the work trucks.

2. Zero turn lawn mower and trimming equipment

- a. Cost range for commercial equipment: \$3000-\$5000

- b. Speed is a must in mowing lawns. Zero turn mowers are twice as fast as a conventional lawnmower.

- c. Rent or lease option for initial cost saving savings.

i. Riding Lawn mower rent: \$40 per day

The zero turn lawn mower has a price that would not fit into the total budget and thus would need to be rented or leased. Though lease payments would exceed the rental payments of \$40 per month, at the end of the lease, the lawn mower would be an asset for ROP. Lease payments also carry a tax benefit associated with them, thus the zero turn lawn mower would be leased.

3. Enclosed trailer for transporting tools and equipment.

a. Cost Range; 12 to 16 ft: \$3000 - \$3500

b. This is a must have for any small business. The ability to have all tools and equipment with you will eliminate any unnecessary trips back to the shop, ultimately making you more productive and flexible. An enclosed trailer literally becomes your rolling shop.

c. Mobile advertising with decals on the side.

The truck would be used as a marketing tool and thus would have to be purchased and converted into an asset for ROP. There would be times when the truck could be used for other operations but the major chunk of work would be ensuring tool transportability.

4. Industrial Air Compressor

a. Cost Range 30 to 50 gallon capacity \$300-\$500

b. A must have for sprinkler blowouts during winterizations

c. Run air guns and miscellaneous tools during trash outs.

With low initial costs, these compressors would be purchased and converted for use at ROP. There would be additional costs incurred in the mechanization process which would make the compressors eligible for

capital allowance.

5. All power and hand tools.

a. Non capitalized

b. Key essentials for a successful business in this market

c. Take advantage of Rental stores which are located all across the cities.

The advantage of renting tools will allow you to bid on specialty jobs that require odd tools with little up front cost. This will greatly benefit a start up company in this market by helping control the budget and being able to stay flexible.

Power tools are not really in the expensive category and are thus not included in the tax-exemption bracket for startup capital. However, they would have to be budgeted for from the startup capital for ROP.