

Operating vs. Capital Leasing

Leases fall into one of two categories of financial transactions: operating leases and capital leases.

Operating Leases

Operating leases are treated as current operating expenses and do not affect the balance sheet at all. A lease is an operating lease unless it meets any one of these four criteria:

1. The lease transfers ownership of the property to the lessee by the end of the lease term;
2. The lease contains a bargain purchase option;
3. The lease term is equal to 75% or more of the estimated economic life of the leased property; or
4. The present value of the minimum lease payments equals or exceeds 90% of the excess of the fair value of the leased property to the lessor.

Capital Leases

Capital leases are treated as the acquisition of assets and incurrence of obligations by the lessee and add to both the asset and liability side of the balance sheet.

About Union Leasing

At Union Leasing, we provide flexible solutions for every stage of your Fleet Management Lifecycle: Planning, Leasing, Fleet Operations, and Remarketing. It's a holistic approach that ensures your business goals are achieved. But what really sets us apart is how we deliver. We treat every customer as if they were our first. We avoid off-the-shelf solutions, and instead work with you to tailor an approach that meets the needs of your clients and your business.

Find out how Union Leasing can go the extra mile for you. [Contact us today](#)