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What Technology Actually Costs

—

And How to Pay for It

Tax position, opportunity cost, equipment life, net after-tax cost, and what technology does that an employee cannot. All lease examples use actual current market rates on a \$50,000 financed amount.

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The S-Corp Pass-Through Advantage

For an S-Corporation with a single shareholder, the Section 179 deduction passes through directly to the shareholder's personal return. This matters because the deduction does not just reduce taxable income within a bracket — it can move the shareholder across a bracket boundary, producing a higher effective savings than the marginal rate alone suggests.

Marginal Bracket	Income Range (approx.)	Sec. 179 Savings on \$50K	Bracket Cross Potential
10%	Up to \$11,600	\$5,000	Unlikely — income too low for \$50K purchase
12%	\$11,600–\$47,150	\$6,000	Possible for small S-Corp pass-through
22%	\$47,150–\$100,525	\$11,000	Common — many SMB owner-operators
24%	\$100,525–\$191,950	\$12,000	Strong candidate for bracket crossing
32%	\$191,950–\$243,725	\$16,000	High value — \$50K can cross to 24%
37%	\$243,725+	\$18,500	Maximum benefit — consult CPA on AMT

Bracket Crossing Example

An S-Corp shareholder with \$205,000 in taxable income sits in the 32% bracket. A \$50,000 Section 179 deduction reduces taxable income to \$155,000 — dropping them into the 24% bracket. Actual tax savings: \$13,044. The deduction is worth more than a simple 32% calculation shows because it crosses a bracket line. Your CPA can model the exact impact for your income level.

The bracket crossing potential is why the timing of a technology acquisition matters. A purchase placed in service before December 31 qualifies for the current tax year. A purchase in January does not help until the following year's return. For a shareholder tracking toward a high-income year, accelerating a planned technology investment can be a legitimate tax planning tool — not just a convenience.

Note: Section 179 at the S-Corp level cannot exceed the business's net income for the year — it cannot create a loss. For most equipment purchases in the ranges discussed here, this limit is not binding. Confirm with your CPA.

Variable 2: The Four Lease Options

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Current market rates on a \$50,000 financed amount produce four distinct options. Tax benefits are shown at three common brackets to reflect the pass-through variability for S-Corp shareholders.

	Pay Cash	FMV 36-mo	\$1 Buyout 36-mo	FMV 60-mo	\$1 Buyout 60-mo
Monthly payment	—	\$1,479.00	\$1,613.50	\$1,053.00	\$1,058.00
Total payments	\$50,000	\$53,244	\$58,086	\$63,180	\$63,480
Interest cost	\$0	Embedded	\$8,086	Embedded	\$13,480
Section 179 deduction	\$50,000	None	\$50,000	None	\$50,000
Tax benefit — 22%	\$11,000	\$11,714*	\$11,000	\$13,900*	\$11,000
Tax benefit — 24%	\$12,000	\$12,778*	\$12,000	\$15,163*	\$12,000
Tax benefit — 32%	\$16,000	\$17,038*	\$16,000	\$20,218*	\$16,000
Net after-tax — 32%	\$34,000	\$36,206	\$42,086	\$42,962	\$47,480
Own asset at end	Yes	No	Yes	No	Yes

* FMV lease payments are deductible as operating expenses spread over the full lease term. Tax benefit shown is total over the lease term, not Year 1.

The net after-tax cost at 32% tells the clearest story. Paying cash at \$34,000 net is the lowest absolute cost — but requires \$50,000 to leave the business on day one. The \$1 buyout 36-month lease costs \$42,086 net after tax at 32% — an \$8,086 premium for keeping \$50,000 working in the business for three years.



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Variable 3: Year 1 Cash Impact

The year the equipment is placed in service is the year the Section 179 deduction hits — regardless of how many payments remain. This creates a front-loaded tax benefit against a back-loaded payment schedule, and the 60-month \$1 buyout exploits that asymmetry most aggressively.

	Pay Cash	FMV 36-mo	\$1 Buyout 36-mo	FMV 60-mo	\$1 Buyout 60-mo
Year 1 cash outflow	\$50,000	\$17,748	\$19,362	\$12,636	\$12,696
Year 1 tax savings — 24%	\$12,000	\$4,267	\$12,000	\$4,267	\$12,000
Year 1 tax savings — 32%	\$16,000	\$5,690	\$16,000	\$5,690	\$16,000
Net Year 1 impact — 24%	\$38,000	\$13,481	\$7,362	\$8,369	\$696
Net Year 1 impact — 32%	\$34,000	\$12,058	\$3,362	\$6,946	(\$3,304)

The 60-Month Finding

At the 32% bracket, the 60-month \$1 buyout puts \$12,696 out the door in Year 1 and returns \$16,000 in Section 179 tax savings. Net Year 1 cash position: +\$3,304. You are cash positive in Year 1 while acquiring a \$50,000 asset and locking in a \$1,058/month payment for five years. No other option on this table achieves that.

The 60-month term also carries a lower implied interest rate than the 36-month term — \$1,058 vs. \$1,613.50 per month on the same \$50,000. Clients often assume longer terms cost more in rate. These market quotes show the opposite. The 34% lower monthly payment, combined with the same Year 1 tax deduction and full ownership at term end, makes the 60-month \$1 buyout the most cash-efficient structure for businesses that will use the equipment for five or more years.



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Variable 4: The FMV Lease — A Narrow Use Case

The FMV lease carries embedded interest — it is simply not disclosed as a line item. The lessor finances based on projected residual value and builds their return into the payment. On a \$50,000 project, the FMV 36-month payment is \$1,479 vs. \$1,613.50 for the \$1 buyout — a \$134.50 monthly difference. The gap at 60 months is \$5.00.

The Residual Buyout Trap

Businesses that choose an FMV lease intending to return the equipment often do not. At term end, the lessor sets fair market value — typically around 25% of original purchase price, or \$12,500 on a \$50,000 project. The client who wanted flexibility ends up paying for it twice: in the embedded rate during the lease, and in the residual at the end.

Scenario	Total Paid	Tax Benefit (32%)	Net After-Tax	vs. \$1 Buyout 36-mo
\$1 Buyout 36-mo	\$58,086	\$16,000	\$42,086	Baseline
\$1 Buyout 60-mo	\$63,480	\$16,000	\$47,480	\$5,394 more
FMV 36-mo — return equip	\$53,244	\$17,038	\$36,206	\$5,880 less
FMV 36-mo + 25% residual	\$65,744	\$21,038	\$44,706	\$2,620 more
FMV 60-mo — return equip	\$63,180	\$20,218	\$42,962	\$876 more
FMV 60-mo + 25% residual	\$75,680	\$24,218	\$51,462	\$9,376 more

The number that closes the argument: A client who takes the FMV 60-month lease and buys at 25% residual pays \$9,376 more net after-tax than the \$1 buyout 36-month client — for the same asset, the same outcome, and five years of convincing themselves the lower payment was the better deal.

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When FMV Leasing Is the Right Call

Laptops on a genuine three-year refresh cycle where the business has the discipline to return them. Servers in a business with an active, committed cloud migration timeline. A/V gear in a high-image environment on a fixed replacement schedule. Outside these specific situations, the \$1 buyout wins on every net after-tax scenario.

Variable 5: Technology vs. the Employee Alternative

Every technology purchase should be evaluated against what it would cost to accomplish the same function using people. This comparison rarely appears in financial analysis — but it is often the most compelling number in the room.

Technology does not call in sick. It does not need a raise, a benefits package, a performance review, or two weeks off in August. It runs 24 hours a day, seven days a week, 365 days a year. At \$1,058 per month on a 60-month \$1 buyout lease, a \$50,000 technology investment costs \$12,696 per year. What does the equivalent human capability cost?

Technology	Function	Employee Equivalent	Loaded Annual Cost	Technology Annual Cost	Advantage
Camera system	24/7 site monitoring	Security guard — 24/7	\$175,200– \$245,280	\$12,696	\$162,504– \$232,584/yr
Phone system	Call handling & routing	Full-time receptionist	\$47,250– \$60,750	\$12,696	\$34,554– \$48,054/yr
Access control	Credential & entry mgmt	Key mgmt + contractor escorts	\$6,000–\$12,000	\$12,696	Audit trail + 24/7
Network systems	Remote work enablement	On-site staffing premium	\$15,000– \$40,000	\$12,696	Flexibility + scale

* Loaded employee cost includes salary, payroll taxes (FICA, FUTA, SUTA), health benefits, PTO, and management overhead. Typically 1.3–1.5x base salary. Security guard cost assumes 24/7 coverage at \$20/hour fully loaded.

The camera system comparison is the starkest. A staffed 24/7 security presence at \$20/hour fully loaded runs \$175,200–\$245,280 per year. A camera system on a 60-month lease costs \$12,696 per year. Most clients are not replacing a 24/7 guard — they are adding coverage that did not exist at all, or replacing periodic patrols that were never truly effective. The technology delivers more capability at a fraction of the cost, around the clock, without a single HR conversation.

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The Right Question to Ask

Before approving or declining a technology investment, ask: what would we pay a person — fully loaded — to do this same job, imperfectly, during business hours only? If the answer is more than the technology costs, the acquisition is not a capital expense. It is a staffing decision in disguise.

Equipment Life and Structure Selection

Equipment Type	Useful Life	Recommended Structure	Rationale
Structured cabling	15-20 yrs	Cash or \$1 buyout lease	Long life — ownership always wins
Security cameras	7-10 yrs	Cash or \$1 buyout lease	Long life — Sec. 179 upside
Network switching	7-10 yrs	Cash or \$1 buyout lease	Long life — Sec. 179 upside
Access control hardware	7-10 yrs	Cash or \$1 buyout lease	Long life — Sec. 179 upside
Phone systems	5-8 yrs	Cash or \$1 buyout lease	Long life — Sec. 179 upside
Servers / NAS	4-6 yrs	\$1 buyout lease	Cloud migration risk — lease first
Laptops / workstations	3-4 yrs	FMV — only if returning	Must have discipline to return them
Mobile devices	2-3 yrs	FMV — only if returning	Must have discipline to return them
A/V and conferencing	3-4 yrs	FMV — only if returning	Must have discipline to return them



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The Decision Framework

Question 1 — What Does This Technology Replace?

Identify the employee or process equivalent. If the annual technology cost is less than the loaded human cost, the acquisition pays for itself before any tax benefit is applied. Proceed to Question 2 to optimize the financing structure.

Question 2 — How Long Will You Use This Equipment?

Less than 3 years with genuine intent to return it → FMV lease. 3 years or more, or uncertain → Cash or \$1 buyout lease. Proceed to Question 3.

Question 3 — Will This Deduction Move You Across a Tax Bracket?

Yes → Time the acquisition to hit before December 31 of your high-income year. The bracket crossing amplifies the effective savings beyond the marginal rate. Confirm with your CPA. No → Apply your marginal rate to the \$50,000 deduction and proceed to Question 4.

Question 4 — Does the Cash Have a Productive Use in the Business?

Yes → Lease. 60-month \$1 buyout for lowest payment and best Year 1 cash position. 36-month \$1 buyout to minimize total interest. Both deliver the same Section 179 deduction. No → Pay cash. Eliminate the interest cost.

IMPORTANT DISCLAIMER — REPEATED FOR EMPHASIS

The frameworks, examples, and numbers in this paper are for educational purposes only and do not constitute financial, tax, or legal advice. Tax outcomes vary by entity structure, income level, applicable deductions, and current law. All bracket examples assume an S-Corporation with a single shareholder filing as an individual. Consult a qualified CPA or tax advisor before structuring any acquisition or financing decision around anticipated tax treatment. Lattis does not provide financial, tax, or legal advice.



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