

Technology Solutions

Tax Time May Mean Big Savings For Small Businesses

(NAPSA)—For many small businesses, tax time may be the right time to invest in new computer systems and related equipment.

That's because there are a number of tax deductions available to companies that replace old technology for newer systems. Couple that with what many say are lower prices on new IT equipment, and many businesses could end up paying less taxes while increasing in productivity.

The following tips may help your company make tax time compute. They come from the experts at HP:

• **Replace older technology.** Congress has increased the amount businesses can write off on new equipment purchases to \$102,000 for 2004 taxes. The increase, known as the 179 deduction, has been extended through 2007. Since PC prices have dropped more than 40 percent since 2000, many companies have invested in new PCs and servers and will continue to do so in 2005. In addition, it is a perfect time to invest in a variety of products that improve data and system security from hackers, viruses and worms.

• **Consider bonus depreciation.** A 50 percent depreciation bonus is available during the first year of service on certain capital assets acquired before January 1, 2005. The bonus depreciation applies to most equipment, machinery, and office furniture.

• **Check the R&D credit.** Companies may be able to take a 20 percent credit for the cost of technology research intended to be useful in developing new or



Lower prices—combined with certain tax deductions—may make this the right time for businesses to upgrade their IT equipment.

improved business components.

• **Depreciate computers and electronic equipment.** Computers or other equipment used for personal purposes—such as handhelds, scanners and copiers—may be eligible for a limited depreciation deduction if they are also used for business. For depreciation tips, see IRS Publication 946 or your tax advisor.

• **Take advantage of PCs.** Use your PC for bookkeeping and other small business processes that can help increase productivity and streamline operations—but be sure to track your usage. Depreciation can be limited if use of the equipment for business purposes is below 50 percent.

• **Look into leasing.** Leasing technology equipment lets businesses expense—rather than purchase outright—IT equipment. Small businesses may be able to triple what their budget would ordinarily be able to support.

• **Take security precautions.** Avoid being the latest vic-

tim of identity theft and make sure all your personal and financial information is well protected with the latest technology. Take time to assess your company's technology security priorities. Then hire a reputable vendor to help you review the wide security choices available on the market to figure out which product/solution makes the most sense for your business.

• **Recycle your technology.** Many states offer tax credits for individuals or corporations that recycle equipment. Also, most major computer vendors let customers return any computer hardware through take-back and recycling programs. For instance, in addition to its standard recycling program, HP offers an acquire-to-retire asset management service. It can help small businesses manage their IT investments in a cost-efficient manner—and dispose of equipment when it's time to move to newer technology.

• **Donate PCs to charity.** Many charities accept old PCs as part of their exempt functions. Companies can use such programs to trim bloated inventory, obtain tax deductions and give back to the community.

• **Keep it in the family.** The salary paid to a family member is a business deduction. Family members can assist with bookkeeping, administration, marketing and other aspects of your business. Your teenager may be the perfect IT specialist for your company.

To learn more about HP's technology products for small and medium businesses, call 1-800-888-9909.