Successfully Budgeting and Managing Your Software

New Tax Laws Offer Significant Breaks

(NAPSA)—With every new year comes budgeting responsibilities. It is essential to establish realistic budgets for both hardware and software. However, many organizations believe they can take financial shortcuts to pay for software.

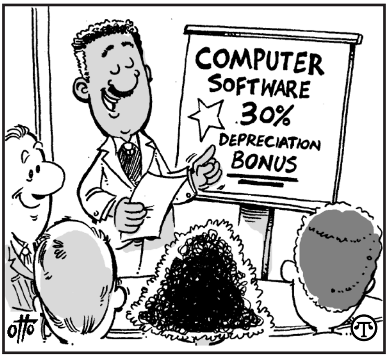
There are new tax laws, which took effect in 2002, that can help you acquire the software you need while lowering the fiscal impact on your business. Once acquired, properly managing your software is key to remaining compliant with copyright laws.

Budgeting for Software

Software acquisition seems to be a neglected line item in budget spreadsheets. Most companies can afford to buy the software they need but some believe they can avoid the expense by simply copying licenses onto additional PCs as needed. This practice is in fact illegal and violates software copyright laws. In an era where unethical corporate behavior is gaining a lot of negative press, companies using unlicensed software are risking their reputation. Smart companies protect themselves by budgeting for software needed for existing employee head count, and any unexpected upturns in their business that may require additional software resources during the year.

30 Percent Bonus Depreciation for Software

Under The Job Creation and Worker Assistance Act of 2002, Congress enacted a 30 percent bonus depreciation provision that is available to purchasers of perpetual licenses for software under certain circumstances. The provision, Internal Revenue Code section 168, provides an immediate 30 percent write-off for the purchase price paid for "qualified property" including computer software acquired before September 11, 2004 and placed in service before January 1, 2005. The 30 percent deduction is based on the "adjusted basis" for the software, which may or may not equal the purchase price, and is available for the taxable year in which the property is placed in service by the taxpayer.



Your company may get more out of its software purchases than you realize.

Computer software is normally depreciable on a straight-line basis over 36 months. After the immediate 30 percent write-off, the remaining 70 percent of the cost will be depreciated over the 36-month term, starting with the first year. Companies should contact the IRS or a tax advisor to obtain the most recent tax law information, identify exceptions to the rule, and to discuss their particular situation.

Software Management

Software budgeting is merely the first step. Many companies lack clear policies regarding software acquisition and control. They also have no process for recording and monitoring installations. To help its customers remain compliant, Autodesk, one of the world's largest software developers, has a free Piracy Prevention Toolkit, which can be downloaded at www.autodesk.com/piracy. It contains templates for a company software usage policy statement, a software code of ethics, a memorandum to employees, and a software register for documenting installations. In addition, the Business Software Alliance offers free downloads of GASP software, a PC software management tool at www.bsa.org/usa/freetools/gasp.

The recent economic downturn is no excuse for unethical or unlawful business practices, so companies should obtain the necessary information and resources.