

# Small Business News & Notes

## Technology Tax Tips For Small Businesses

(NAPSA)—Many small businesses have found a way to make tax time seem less taxing: Invest in new technology.

A number of deductions and programs are available to companies that change old technology for newer systems. Taking advantage of them can help businesses lower taxes—and increase productivity.

Analysts say the following tips from HP and H&R Block tax professionals may help your company make tax time compute:

**1. Replace Older Technology.** Congress increased the amount businesses can write off on new equipment purchases from \$25,000 to \$100,000. Business owners can use the tax break to invest in new technologies. The increased deduction, known as the section 179 deduction, is available through 2005. In addition, PC prices have dropped more than 40 percent since 2000, meaning small businesses can save on the deduction and the cost of equipment.

**2. Depreciate Computers And Electronic Equipment.** Computers or other gadgets—such as handhelds, scanners and copiers—used for personal purposes, 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.

**3. Take Advantage Of PCs.** Use your PC for bookkeeping and other small business processes that can help increase productivity and streamline operations—



**Replacing outdated technology can help small businesses enjoy big tax breaks.**

but be sure to track your usage. Depreciation can be limited if use of the equipment for business purposes is below 50 percent.

**4. Consider Bonus Depreciation.** A 50 percent depreciation bonus is available during the first year of service on certain capital assets acquired after May 5, 2003, but before January 1, 2005. The bonus depreciation applies to most equipment, machinery, and office furniture.

**5. 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.

**6. Take Security Precautions.** Avoid being the latest victim of identity theft and be sure your PC and software are up-to-date. If you file your tax return online, be sure to protect your personal and financial information

with the latest technology.

**7. 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.

**8. 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.

**9. 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 improved business components.

**10. 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 make an appointment with an H&R Block tax professional, call 1-800-HRBLOCK. To learn more about HP's technology products for small and medium businesses, call 1-800-888-9909.