

Gh0stNet Periodical - 2nd Edition

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GhostNet, Inc. is proud to announce our new web hosting service that we are offering to our existing and potential clients.

We are going to take a step away from our normal technical article this month to offer some helpful tax tips for the small business professional. This periodical is generally aimed at the small business professional looking for ways to increase productivity through low-cost technical solutions and increasing your marketing presence in the consumer market. We hope that you will find it informative and helpful with your daily decisions.

What could be the worst time of year for some business might not be that bad after all. With the tips below, you might find better ways to spend that tax money.

Year End Small Business Tax Tips

A quick look at these year-end tax tips for small business can pay big dividends for 2003.

Defer Income:

Any payments your company can receive during the first week of January as opposed to December cuts your tax bill. Every cent earned up to December 31st, 2002 has taxes paid in April 2003; whereas income deferred to January 2003, will not owe taxes until April 2004.

With lower income tax rates in the foreseeable new year, deferral of income makes the best sense for most sole proprietors, partnerships, LLC's and S corporations. Ensure your cash flow can handle the deferred income.

Increase Expenses:

Purchase items your business will require in the immediate future to

maximize deductions for this year. If you can see a need for goods and services in the first quarter of the new year, buy them now, if cash flow permits. Consider the following items for expenses:

- **Office Supplies:**

Stock up on fax paper, printer cartridges, stationary, and other office items.

- **Pay Bills Early:**

Pay your bills before the new year in areas such as; cell services, subscriptions, rent, insurance, and utilities.

- **Equipment Purchases:**

If you will be buying new office equipment, consider purchasing now. Equipment purchases can include: computers, copiers, fax machines, and furniture. The majority of small businesses can deduct up to \$24,000 in equipment purchases.

You will have to decide whether an immediate write off is best or spread out the depreciation over years. Consult with an accountant to examine your circumstance and company structure to maximize your deductions. In addition, your equipment will have to be in your office, "in use" by year-end.

- **Other Items:** This category includes: pre-payment of subscriptions, travel bookings, equipment repairs and maintenance.

Inventory Write-Offs

Depending on your accounting methods, you may wish to check inventory for goods that have been damaged or have become obsolete. The drop in market value of the inventory can provide your company with added deductions.

Contribute to a Retirement Plan:

Make payments to your retirement plan or set one up before the year-end to reduce your income for this year. Check the contribution limits for your type of plan. In the U.S.: KEOGH plan, Roth IRA, SIMPLE plan, or SEP's. In Canada: an RRSP. Discuss the best strategy with your financial planner or accountant.

These year-end tax tips will apply differently to each business owner's situation and accounting method. The cash method of accounting allows for deductions and income reported for the year they are paid or received. The accrual accounting method applies income & deductions in the year incurred. Take the time to review the best strategy with a professional advisor and make the most of the year-end for your business.

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