

### Chapter 5 - Management and Personnel Technology Considerations

#### Leasing

As you consider the cost of funding your technology hardware and software needs, one viable alternative is to lease the technology. Obviously, the method that will increase the firm's profitability while providing for technological changes is your goal. Computer equipment is one of those assets that depreciate quickly. Therefore, one has to ask why they would want to own this type of asset. With lease financing, the firm will be generally afforded different options at the end of the lease. One, return the equipment without any further obligation; two, continue to rent at the same payment level or at a reduced rate; three, upgrade necessary components and continue to lease; or four, purchase the system for its fair market value. Equipment that can be leased includes, computer networks, telecommunication systems, copiers, cost recovery systems, video conferencing equipment, data storage and retrieval systems, office furnishings, and other capital equipment. Some companies also cover software, delivery, and warranties.

Leasing can give you the option of reassessing your firm's technological position in three or four years to determine if you need to upgrade to maintain the competitive edge in your practice specialty. Other issues to consider may include accelerated tax-timing benefits by including lease payments as an expense item, avoiding the Alternative Minimum Tax penalty, and your borrowing capacity may be unaffected by lease financing.