



## How to Avoid the Risks of Donating Used Computers (and Still Enjoy the Rewards)

### EXECUTIVE SUMMARY

What are you going to do with your old computers when you don't need them anymore? If you're like a lot of people, one idea that might occur to you is donating them to a worthy cause. In fact, Computerworld recently reported (March 26, 2007) on a 2006 Gartner study indicating that 19% of companies that had a policy for disposing of unwanted PCs donated them to schools or nonprofit organizations. That's more than the percentage that put them in storage, traded them in or sold them to employees.

Company Policies for Disposing of PCs*	
Disposal Company	32%
Donation	19%
Storage	17%
Return to Vendor	15%
Employee Sale or Gift	9%
Other	8%

\*Based on information in Tech Trash: Still Stinking up the Landscape," Computerworld, 03/26/2007

"Good intention; bad policy," according to the Computerworld article. The problem is that there are serious risks associated with donating used computer systems directly to charities – that they won't be used as you intended, for example, or that sensitive information remaining on them could be compromised. On the other hand, there are also rewards, ranging from the satisfaction of helping a worthy cause to the tax savings associated with making a charitable contribution.

The question is, how can you enjoy the rewards without subjecting your company to risk? This paper will examine:

- the reasons people donate computers
- the risks of donating directly to a charity or a school
- the option to use electronics recycling to reduce risk

There's nothing wrong with wanting to donate used computers. The important thing is to do it right.

## THE DRIVERS FOR DONATING UNWANTED COMPUTERS.

What makes donation one of the top methods companies choose for disposing of old computer assets? There are three main reasons.

### ENABLE A DESERVING ORGANIZATION TO RE-USE THEM

It can be extremely satisfying to do your part to close the “digital divide” by giving your old computers to schools or charities. And the idea that the computers could actually be doing some good somewhere instead of gathering dust in a closet or possibly even releasing toxins in a landfill makes it even more satisfying. Ironically, though, those undesirable fates may be exactly what await the systems you donate. Read on to find out more.

### ENJOY A TAX BREAK FOR DONATING THEM

Of course, it's great to get a tax break. And that used to be a simple matter of telling your accountant how many PCs you gave away and to whom. Since 2006, though, the IRS has set forth strict rules about the condition and value of the computers you donate, as you'll learn in the next section of this paper.

### FREE UP THE SPACE WHERE YOU'RE STORING THEM

There's no argument about that – storing computers is a waste of space that you could be using for something more productive. The issue is whether donating them is the best way to accomplish that goal.

## THE RISKS OF DONATING DIRECTLY

How can you go wrong giving away your unwanted computers? Let us count the ways.

### 1. THE SYSTEMS WON'T BE RE-USED AFTER ALL.

If your main goal in donating systems is to provide an organization in need with technology it can use, keep in mind that there's a good chance it won't be able to. The systems may not be right for that particular group, because of the way they're configured or because they're in less-than-good condition. So you may not even be able to meet your main objective for donating the systems in the first place.

### 2. THE DATA ON THE COMPUTERS WILL BE COMPROMISED.

Of course, you would never hand over used systems to anyone without taking steps to remove any proprietary or otherwise sensitive information on the hard drives. But even if you have been careful to use disk wiping software to remove the data, there's always a chance that it may be recoverable – not necessarily by the organization to which you donated the computers, but by whoever ends up with them if the organization doesn't need them. Consider these facts:

➤ Testing by a German technology firm of hard drives bought on eBay revealed that seven of every ten tested still bore readable information (CNET News.com, 04/24/2005).

➤ An investigation into computer equipment disposal in the UK discovered that only two of more than 100 hard drives from computers bought online, at computer fairs, or from traders contained no recoverable data. (The Register, 02/17/2005).

Think about what could be found on your old computer drives: Client information? Company financial records? Employee social security numbers? If you don't want to risk this kind of data ending up in the wrong hands, think twice about donating your computers.

### 3. THE COMPUTERS WILL END UP IN A LANDFILL.

If your business is like many today, being green is becoming an increasingly important priority. The options you might consider for disposing of old computers would certainly not include sending them off to the dump or shipping them out to a third-world country with lax environmental standards. But that's exactly where they could wind up. Here are just a couple of examples.

➤ A computer discarded by the city of San Antonio in 2005 ended up in a garbage dump in Nigeria. At the time, the city typically sold its old computers on an Internet auction site (San Antonio Express-News, 02/12/07).

➤ Photographs taken by the Basel Action Network in Lagos show scrapped electronics lying in wetlands, along roadsides, being examined by curious children and burning in uncontained landfills (“Where Computers Go to Die – and Kill,” salon.com, 04/10/06).

It's irresponsible to ship equipment with potentially toxic content overseas, and it's just plain illegal to dump it in a landfill – which leads us to the next risk of donating computers.

#### 4. YOUR COMPANY COULD BE LIABLE FOR INAPPROPRIATE DISPOSAL.

If the EPA finds old computers illegally dumped in a landfill, and the asset tags still have your company's name on them, who do you think is going to be held responsible? If old computers associated with your company end up polluting a river in China, whose name gets dragged through the mud in the media?

The environmental consequences may be hair-raising, but that's not even half the story. If sensitive customer information on your computers ends up being reused after the systems are sold on eBay, you could be sued for any damage that results. Not only that, there are dozens of local, federal, and international laws today that govern the privacy of electronic data. If you are found in violation of one of these laws because your company's name is on computers that have sensitive data on them, you could end up paying a hefty fine.

That's the problem with donating computers directly to an organization. When you don't have a bill of sale or other official transfer of ownership, those systems still technically belong to you. So even though you have no control over what happens to them, you can still be held accountable for it.

#### 5. THAT TAX DEDUCTION MAY NOT COME AS EASILY AS IT USED TO.

In 2006, the Internal Revenue Service issued new rules relating to charitable contributions. According to a story in the El Paso Times (April 30, 2007), for noncash donations, the following rules apply.

➤ Noncash contributions, including computers, need to be in good condition for you to claim a tax deduction.

➤ For noncash contributions totaling \$500 or more, you must include a detailed list with your tax return that states exactly what you gave and to which charity.

➤ If a single item such a computer is worth \$500 or more, you will have to get an appraisal and include a summary of it with your return.

By the time you put together all the documentation and get the systems appraised, your tax deduction is likely going to be worth less to you than it might have been in the past.

### A BETTER WAY TO DONATE

If you want to see your old computers go to a good cause, there's a better way than just handing them over to a charitable organization. This alternative entails working with a reputable electronics recycler to participate in a formal program for donating to charity. TechTurn, for example, works with Operation Homelink to provide used computers to the families of U.S. service men and women so they can stay in touch by email with soldiers who are overseas. Or, as an alternative, you can sell your used systems to an electronics recycler outright and then donate the money to the charity of your choice to use as it sees fit.

But how does adding a third party to the mix affect your risk of data security breaches, environmental violations, and potential legal liability or regulatory noncompliance? The answer lies in choosing a recycler with proven best practices for handling used equipment. Choose one who provides the following services to reduce your risk.

### STRINGENT DATA ERASURE PROCEDURES

We referred earlier to the risk of using disk wiping software to erase data from your hard drive. Because that approach may not always be successful, reputable electronics asset recovery companies will have the capabilities to go far beyond simple disk wiping to ensure that sensitive data is erased. TechTurn, for example, employs multiple sophisticated data wiping programs and then follows up with a variety of diagnostic tools to visually inspect every hard drive that has been processed. Finally, the company manually verifies that all data has been successfully eradicated.

Relative Effectiveness of Methods of Data Destruction

Methodology	Effectiveness	Reused Value Preserved
User-Conducted Disk Wipe	50%	100%
Professional Disk Wipe with Manual Verification	99+%	100%

## FORMAL TRANSFER OF OWNERSHIP

When you use a reputable electronics recycler to dispose of your assets, you transfer ownership of the assets to that company, so that there is no risk that you will continue to be liable for them. In addition, the company should provide a detailed accounting of the disposition of your assets and documented indemnification of your company.

## STATED ASSET DISPOSITION POLICY

The recycler should also have a formal policy for disposition of used assets that addresses the following issues.

- If the systems will be donated to charity, the recycler should be able to demonstrate relationships with organizations whose mission is charitable donations such as Operation Homelink or the National Cristina Foundation, which matches used computer assets with those in need.
- If the systems will be resold rather than donated to charity, the recycler should have a formal resale program with established standards for the refurbishment and sale of reconditioned systems.

- If the systems can't be resold for some reason – because they cannot be restored to sound operating condition, for example – the company should have the resources to destroy them in an environmentally sound fashion. Methods for doing this may include degaussing, which eradicates the data on hard drives by exposure to strong magnetic fields (and renders the drives unusable), and shredding, whereby the hard drive is physically smashed into pieces.

## ACHIEVING THE RISK/REWARD BALANCE

Donating used computer equipment is not as simple as it sounds; there are a number of risks associated with this practice. But it also comes with the rewards of knowing your old systems are being put to good use. The key to reducing the risks and realizing the rewards is to work with a reputable electronics recycler. Such a company can help you turn equipment into cash for charitable donations or to contribute systems through a safe, formal program designed especially for that purpose.

## ABOUT TECHTURN

TechTurn is the trusted industry leader for technology recovery, refurbishing and remarketing. Through its world-class facilities and processes, TechTurn provides the foundation for sustainable technology, providing companies with an economically smart, environmentally friendly and risk-free method for the recycling and reselling of used technology. Since 1999, TechTurn has been the preferred take-back partner for 300 of the Fortune 500 and the top four computer manufacturers. These leading organizations provide TechTurn with a non-stop supply of high-quality, high-value technology systems and components that, after testing and certification, are remarketed to customers worldwide. By extending the life of these products, TechTurn is able to enrich the lives of millions of people worldwide while also helping to significantly reduce the amount of e-waste that is filling landfills and polluting the environment. For more information, visit [www.techturn.com](http://www.techturn.com).

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