

ELIGIBILITY REFERENCE SHEET

EDUCATIONAL TAX CREDIT PROGRAM SPECIAL PURPOSE ENTITIES

Businesses

Businesses must pay one or more of the following taxes annually:

- Personal income tax
- Capital stock/ foreign franchise tax
- Corporate net income tax
- Bank shares tax
- Title insurance and trust company shares tax
- Insurance premium tax (excluding surplus lines, unauthorized, domestic/ foreign marine)
- Mutual thrift tax
- Malt beverage tax
- Retaliatory fees under section 212 of the Insurance Company Law of 1921

Businesses often eligible to participate:

- S Corporations
- C Corporations
- General Partnerships
- Limited Partnerships
- Limited Liability Companies (LLC)

Individuals

Individuals must be employed by or own a For Profit Company or have a tax filing status of Married Filing Jointly with a spouse who is employed by or owns a For Profit Company. A new letter ruling also allows individuals employed by a non-profit participate if they own stock in a Pennsylvania based company.

Please contact your tax advisor for questions regarding your specific tax status.

Requirements

In order to participate, the following is required:

- Minimum contribution amount of \$3,500
- Individuals must earn a minimum of \$115,000 in state taxable income individually or together, if filing status is Married Filing Jointly.
- Individuals or couples (Married Filing Jointly) - one must work for a business or own a business.
- Business or individual receives credits against Pennsylvania State Taxes for 90% of that amount each year.
- Example of minimum donation:
 - Business or individual makes a contribution of \$3,500
 - \$3,150 is used as credit against State taxes

PROCESS

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Process

1. The Special Purpose Entity (SPE) applies online for approval to participate in the PA tax credit program.
 - EITC – supports need-based financial aid for K-12 students
 - OSTC – supports need-based financial aid for K-12 students residing within the boundaries of a low achieving school
2. Business or individuals become an accredited member of the SPE by completing a Joinder Agreement, indicating the amount of their capital contribution and designating a school to receive their contribution.
3. Department of Community & Economic Development (DCED) grants approval for participation to the SPE.
4. SPE notifies members of approval and requests capital contribution for the current tax year. All contributions must be made within 60 days of the approval.
5. Business makes a capital contribution to the SPE.
6. SPE passes through all contributions to the Scholarship Organization (SO), and handles all paperwork with the DCED.
7. SO distributes funds to the member's designated private school(s).
8. In February of the following tax year, members receive tax filing documents:
 - PA Department of Revenue form 1123 for the SPE – verifies that the tax credit exists for the SPE and the member's personal portion has been transferred to their Tax ID or Social Security Number when filing PA State Income Tax Return
 - Schedule K-1 – indicates the members share in the SPE and used when filling Federal Income Tax Return