



# Turn Your Tax Liability Into Scholarships

The **Educational Improvement Tax Credit (EITC)** program provides credits to eligible businesses contributing to one of the following programs: a scholarship organization, an educational improvement organization, and/or a pre-kindergarten scholarship organization (PKSO), such as KenCrest.

## Who is Eligible?

Pennsylvania businesses that are subject to one or more of the following taxes may be eligible for EITC:

- ✓ Personal Income Tax
- ✓ Capital Stock / Foreign Franchise Tax
- ✓ Corporate Net Income Tax
- ✓ Bank Shares Tax
- ✓ Title Insurance & Trust Company Shares Tax
- ✓ Insurance Premium Tax (excluding surplus lines, unauthorized, domestic/foreign marine)
- ✓ Mutual Thrift Tax
- ✓ Malt Beverage Tax
- ✓ Retaliatory Feeds under 212 of the Insurance Company Law 1921

## There are two ways to participate and you may qualify for both.

- ✓ As a business, you may participate through the traditional EITC program.
- ✓ As an individual, you may participate through a Special Purpose Entity (SPE), the new era of EITC funding, if you have a minimum Pennsylvania tax liability of \$3,500. Unlike the traditional business model, there are no strict deadlines to follow, and there is a simple one-page application. Additionally, there may be federal tax benefits to taxpayers who deduct charitable contributions – potentially allowing you to make money.

## How to Apply

- ✓ Go to the Pennsylvania Department of Community & Economic Development (DCED) website.
- ✓ Click on the Single Application link, under Programs and Funding in the main menu.
- ✓ After submitting your application, wait for approval from the state.
- ✓ When you receive your approval letter, contact KenCrest Fund Development, to advise of the amount you have been approved and where to send your donation.
- ✓ Receive your contribution acknowledgement from KenCrest Early Learning Centers.
- ✓ Forward this letter to DCED – Center for Business Financing, who will advise the Dept. of Revenue to apply your tax credits.
- ✓ Redeem your Tax Credits!

*More information about EITC and SPE applications on reverse.*

## When to Apply?

- ✓ First-time applicants or applicants for one-year cycles must submit applications on July 1 every year.
- ✓ Repeat / two-year cycle applicants must submit applications on May 15 each year. This due date applies if you are in your renewal year or if you are beginning a new, two-year cycle.
- ✓ Businesses can begin the online application process at any time, but should not hit "submit" until the above due dates.
- ✓ Applications are processed by the Pennsylvania Department of Community & Economic Development (DCED) on a first-come/first-served basis by the date submitted until the amount of available tax credits are exhausted (we recommend that new businesses submit their application NO LATER than July 1st).

## Terms

- ✓ EITC provides Pennsylvania companies with a 75% tax credit for donations to a nonprofit scholarship organization like KenCrest. If your business commits to making the same donation for two consecutive years, your tax credit increases to 90%.
- ✓ An approved company must provide proof to DCED within 90 days of the notification letter that the contribution was made within 60 days of the notification letter. Tax credits not used in the tax year the contribution was made may not be carried forward or carried back and are not refundable or transferable.

## What is A Special Purpose Entity (SPE) & Do I Qualify To Contribute?

- ✓ An SPE is a class of pass-through partnerships that exists solely for the purpose of obtaining Education Improvement Credits (EITC/OSTC).
- ✓ Like traditional EITC participation, an SPE enables qualified individuals to receive a 90% tax credit on their Pennsylvania tax liability for a contribution to help students afford tuition.
- ✓ Donating to our schools via our SPE partner, Central Pennsylvania Scholarship Fund's (CPSF) SPE network is an efficient and effective way to redirect your Pennsylvania taxes to KenCrest's early learning centers for scholarships at no cost to you after your initial donation is refunded next year.
- ✓ The minimum SPE contribution is \$3,500 which can be made by any individual that has an annual individual or joint Pennsylvania income of \$102,606 or higher without losing any Pennsylvania tax credits. An SPE member must work for a business or own a Pennsylvania business to avoid having their tax credits nullified.
- ✓ All SPE donations are remitted to the Central Pennsylvania Scholarship Fund (CPSF). 100% of your donation will go as a scholarship to one of our seven early learning centers.
- ✓ Your contribution is a nearly cost-free opportunity to make a difference in the lives of our youngest learners.



## LEARN MORE

For more information about participating in KenCrest's EITC or SPE programs, contact the Development Office at [610-825-9360](tel:610-825-9360).