

# ***The Penngift Scholarship Fund***

## ***Question & Answer***

- Q. How much tax credit can my business get through Tax Credit contributions?
- A. You may take up to \$200-\$750,000 in tax credits per year. The credit is 75% against taxes owed if the contribution is made in any single new year. If a company provides a tow-year commitment of equal funding, the credit rises to 90%. Of course, existing charitable deductions may also apply with this credit so that the effect may be almost a net cost to the donor.
  
- Q. For which State taxes are scholarship credits available?
- A. Self-proprietors are the only business structure not eligible to participate in either the EITC or OSTC Programs. These types of business entities are not liable for the taxes covered under each of the programs. In reference to S-Corps, Partnerships and LLC's, credits can pass through their corporate structure to be claimed at the individual level by the partners and members of these entities. See "newPA.com" section that begins with "Businesses authorized to do business in Pennsylvania."
  
- Q. What law authorizes this tax credit opportunity?
- A. The Educational Improvement Tax Credit was established by Act 4 of the 2001 PA Legislature. This law was designed to encourage businesses to fund special organizations that will give need-based scholarships to Pre-K and K-12 students so they can attend the school of their choice. Monies contributed through this program can be used for private or educational funding.

- Q. What organizations are eligible to receive EITC and OSTC contributions?
- A. Charitable organizations are recognized as PA Scholarship Tax Credit Organizations by the Department of Community and Economic Development (DCED), which administers this program for the legislature. They also file under the IRS 501 ©(3) (charitable and/or educational organizations) Code and are able to receive the contributions for which tax credits are granted.

## **Important:**

- Tax Credits are awarded on a first-come-first-serve basis, with applications on/after May 15 or on July 1; depending upon the number of years your company has participated as a tax credit donor.

## **Now, You Can Provide Scholarships to Children in Your Community and Get a Generous Tax Credit, too!**

- Recent changes in Pennsylvania law now allow you to contribute money to fund quality education in just about any private school and take tax credits against most types of state business taxes.