

## **Educational Improvement Tax Credit (EITC) Program for Businesses**

- Launched in 2001.
- Allows tax credits to businesses that contribute to a scholarship organization.
- Tax credits equal to 75 percent of business's contribution up to a maximum of \$750,000 per taxable year. Can be increased to 90 percent of the contribution, if business agrees to provide same amount for two consecutive tax years.
- Can be utilized by businesses subjected to the following taxes: 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, and Retaliatory Fees under section 212 of the Insurance Company Law of 192.
- At least 80% of contribution must be dispersed as financial aid to students who qualify based on income guidelines set by the state: eligible student is a school age student, including an eligible student with a disability, who is a resident of Pennsylvania, who is enrolled in a school located in this commonwealth and who is a member of a household with an annual household income of not more than \$78,036 except that an additional income allowance of \$15,608 is permitted for the student and for each other dependent (as defined by the IRS) living within the same household.

## **Opportunity Scholarship Tax Credit (OSTC) Program for Businesses**

- Launched in 2012.
- Same guidelines as EITC, but student must ALSO live in a low-achieving school district, as defined by the state.

## **Utilizing Personal Tax Credits (Special Purpose LLCs)**

- In 2015, Harrisburg passed legislation that allows the formation of special purpose LLCs for the sole purpose of turning your personal tax liability into EITC/OSTC financial aid dollars.
- The organization Business Leaders Organized for Catholic Schools (BLOCS) has set up a number of these LLCs and is actively seeking participants to fill them.
- There is a minimum capital contribution of \$7,000 per member and all members must be considered "Accredited Investors" according to federal and state securities laws.
- Two-year commitment yields a 90% tax credit on your contribution, as well as additional federal tax benefits based on your LLC commitment being considered a charitable donation.
- The first capital contribution of the 2-year commitment is due at signing. The second year capital commitment is due on or before July 1, of the following year.

**2018-2019 budget allotment from the state for all EITC/OSTC programs is \$210 million dollars (\$25 million increase from 2017-2018)**