

Roman Catholic High School

Help Roman Students with the EITC & OSTC Tax Credit Program

- Pennsylvania Educational Improvement Tax Credit
- Pennsylvania Opportunity Scholarship Tax Credit



EITC/OSTC

Both individual taxpayers and businesses in Pennsylvania can participate in the EITC/OSTC program to benefit students in need at Roman Catholic High School.

Roman actively partners with multiple accredited scholarship organizations to facilitate the process. Essentially, you or your business can redirect state tax dollars to Roman to help fund financial aid rather than sending it to the government.



Individual Tax Credits

In 2015, the Commonwealth of Pennsylvania changed the law to allow individual taxpayers to participate in the EITC & OSTC programs. Individuals may join a Special Purpose Entity (SPE) that allows personal tax liabilities to flow through it. Joining a SPE enables Pennsylvania taxpayers the ability to receive a tax credit of up to 90% of the donation amount with a two-year commitment, as well as a federal charitable tax deduction.

What is a Special Purpose Entity (SPE)?

An SPE is a pass-through partnership that allows individual taxpayers to direct EITC/OSTC financial aid funds to Roman.

Who is eligible to participate in an SPE?

Individuals that have a Pennsylvania state tax liability of \$1,000 or more.

What are the benefits of participating in an SPE?

- Pennsylvania tax credit of 90% of the SPE commitment.
- A federal charitable tax deduction for the 10% out of pocket cost.
- You can redirect your state tax dollars to help students in need to attend Roman rather than to the government.

How can I direct an EITC or OSTC gift to Roman?

- The minimum requirement is a \$1,000 contribution, as well as a two-year commitment. You must match the same contribution in Year 1 and Year 2.
- Submit one-page commitment form to Roman and scholarship organization to express your interest in participating, including your intended gift amount.
- Scholarship organizations apply to create new SPEs each July.
- Once the SPEs are approved (generally in the Fall), scholarship organizations will send you an SPE agreement to complete and return electronically along with your Year-1 contribution.
- You will receive a state K1 before March 15 reflecting the amount of your Year-1 donation and the 90% Pennsylvania state tax credit to include with your tax return.
- After filing your taxes, you will then receive a refund for 90% of your contribution from the state by the end of the year and Roman receives the full amount of your donation to use for tuition assistance for students in need.
- The scholarship organization and Roman will contact you regarding your Year-2 donation the following year.

Business Tax Credits

Businesses can also take advantage of the EITC & OSTC programs and receive a 90% tax return for a two-year commitment or 75% for one-year commitment and in the process redirect their state tax dollars to Roman students rather than the government.

How do these programs work?

Tax credits are available on a first-come, first-served basis for contributions to schools like Roman that provide financial aid to students. Credits are applied against the tax liability for the tax year in which the contribution is made and are equal to 75% of the contribution, up to a maximum of \$750,000 per year. Tax credits are increased to 90% for two-year commitments.

How do businesses participate in EITC & OSTC programs?

May 15, 2020:

- Businesses who are already in the program and have fulfilled a two-year commitment can reapply for a new two-year commitment.
- Businesses in the middle of their two-year commitment can renew for their second year.

July 1, 2020:

- All other businesses, including first-time applicants, can submit their application.
- If you are applying for the first time, it is imperative that your application be submitted on July 1, 2020 as tax credits are offered on a "first-come, first-served" basis and are claimed almost immediately.

What happens after I submit my application?

The Department of Community and Economic Development (DCED) will send an approval letter to businesses that have been awarded credits. The timing of these letters varies year to year, but they generally arrive between October and December. If Roman is aware that you have submitted an application, we will let you know if we have any general updates from DCED.

If you receive an approval letter from DCED, your business has 60 days to send a contribution to the scholarship organization. The scholarship organization, in turn, will promptly issue a gift acknowledgment letter to your business, as the gift receipt must be submitted to DCED within 90 days of the original approval letter. Once DCED has received a copy of the scholarship organization's acknowledgment letter, your business will receive the tax credits described in your approval letter.

Applicable Taxes

What types of taxes can be offset by this credit?

Businesses that are authorized to do business in Pennsylvania who are subject to one or more of the following taxes:

1. Corporate Net Income Tax
2. Capital Stock/Foreign Franchise Tax
3. Malt Beverage Tax
4. Personal Income Tax – Sub-chapter s-corporations and other “pass-through” entities will be able to use the credit against the shareholder, member or partners’ PA personal income taxes
5. Bank and Trust Company Shares Tax
6. Insurance Premiums Tax (excluding surplus lines, unauthorized, domestic foreign marine)
7. Mutual Thrift Institutions Tax
8. Title Insurance Companies Shares Tax
9. Retaliatory Fees under section 212 of the insurance company Law of 1921

Sample Donation

Donation to Roman Catholic High School	\$10,000
PA Tax Credit Reduction (2 year pledge – 90% of contribution)	\$9,000
Net Federal Tax Reduction for Contribution (37% Tax Rate)	\$370
Out-of-Pocket Cost	\$630

It's so easy to make an impact!

EITC is an incredibly simple way to multiply the impact of your annual giving to Roman at no additional cost to you. It's easy to enroll in the program and only entails completing a one-page form. From there, nearly all of the work is done for you. Come tax time, it takes minutes to incorporate the relevant tax information you receive into TurboTax or



other tax management software and claim the tax refund to which you're entitled. Why let Pennsylvania keep your tax dollars when you can just as easily redirect those funds to Roman and help Cahillites in need?

Al Moran, Class of 2005



For information about providing tuition assistance through these programs, please contact

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