



Transforming Taxes Into Student Scholarships

Applying for Business Tax Credits

The Pennsylvania Educational Improvement Tax Credit (EITC) and the Pennsylvania Opportunity Scholarship Tax Credit (OSTC) programs allow Pennsylvania businesses to earn tax credits up to 90 percent of certain Pennsylvania taxes when they make a charitable donation to Mercersburg Academy. Funds under these programs provide direct support for need-based tuition assistance at Mercersburg for students from Pennsylvania.

Educational Improvement Tax Credit Program

The EITC program provides companies with a 75 percent tax credit for donations to a nonprofit scholarship or educational improvement organization. The tax credit increases to 90 percent if the same commitment is made for two consecutive years. A company paying taxes in Pennsylvania can receive up to \$750,000 in tax credits.

Opportunity Scholarship Tax Credit Program

The OSTC program provides tuition assistance to Pennsylvania children who live within the attendance boundaries of a low-achieving public school.

Similar to the EITC program, the OSTC program awards Pennsylvania businesses a tax credit of 75 percent (up to a maximum of \$750,000 per taxable year) if the gift is made for one year, or 90 percent if the company commits to making the same donation for two consecutive years. OSTC funds are available in addition to any credits received under the EITC program.

Application Deadlines

May 15 for business applicants who have fulfilled or are in the middle of their two-year commitment and wish to reapply to renew.

July 1 for all other businesses. Applications are processed on a first-come, first-served basis.

Eligibility for EITC and OSTC Programs

These programs offer a great way for your business to use tax credit for philanthropic purposes. You are eligible to participate if your company is authorized to do business in Pennsylvania and is subject to one or more of the following taxes:

- 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

For more information, please contact James Jenkins, annual giving officer, at jenkinsj@mercensburg.edu or 717-328-6324.



MERCERSBURG ACADEMY

Transforming Taxes Into Student Scholarships

Applying for Individual Tax Credits

Pennsylvania allows individual taxpayers to participate in the Educational Improvement Tax Credit (EITC) and Opportunity Scholarship Tax Credit (OSTC) programs. Individuals may join a Special Purpose Entity (SPE) that allows personal tax liabilities to flow through it, allowing them to participate. Mercersburg Academy participates in the Central Pennsylvania Scholarship Fund (CPSF). Joining an SPE enables Pennsylvania taxpayers to receive a credit up to 90 percent of the donation amount as well as a federal charitable tax deduction.

Steps Using Pennsylvania Personal Income Taxes to Support Mercersburg Academy

1 The process starts when you join a special purpose entity like the Central Pennsylvania Scholarship Fund.

2 You make a commitment to fund the SPE based on your PA personal tax liability. The SPE makes a donation to Mercersburg Academy.

3 The SPE issues you a credit for your PA state taxes.

4 You receive a 90% tax credit on your PA tax return.

5 If you qualify, you can submit on your federal taxes the difference between your gift and the credit from PA as a charitable gift deduction.

If I participate in these tax credits, how much will it cost me?

You will need to make a minimum donation of \$3,500. However, a larger donation—up to the amount of your annual state taxes—can be made. You risk the chance of losing a portion of your EITC tax credit if you choose an amount over your tax liability. When you file your taxes in the spring, you will receive a refund from Pennsylvania of 90 percent of your donation and a federal benefit based on your donation.

If you would like more information about the Central Pennsylvania Scholarship Fund, please contact James Jenkins, annual giving officer, at jenkinsj@mercersburg.edu or 717-328-6324.



The information presented here is intended as a general overview of Pennsylvania's EITC, OSTC, and SPE programs, and is not to be considered tax advice. Situations vary, and we urge donors to consult with their accountant or tax professional.



MERCERSBURG ACADEMY