

Educational Tax Credit Program Special Purpose Entities Quick Reference Sheet

Eligibility for Individuals

Individuals must be employed by or own a For Profit Company or have a tax filing status of Married Filing Jointly with a spouse who is employed by or owns a For Profit Company. A new letter ruling also allows individuals employed by a non-profit participate if they own stock in a business that operates in the state Pennsylvania.

Please consult your tax advisor for questions regarding your specific tax status.

Process

- 1. The Special Purpose Entity (SPE) applies online** for approval to participate in the PA tax credit program
 - EITC—supports need-based financial aid for K-12 students
 - OSTC—supports need-based financial aid for K-12 students residing within the boundaries of a low achieving school
- 2. Business or individuals become an accredited member of the SPE by completing a Joinder Agreement**, indicating the amount of their capital contribution and designating a school to receive their contribution.
- 3. Department of Community & Economic Development (DCED) grants approval** for participation to the SPE.
- 4. SPE notifies members of approval and requests capital contribution** for the current tax year. All contributions must be made within 60 days of the approval.
- 5. Business makes a capital contribution** to the SPE.
- 6. SPE passes through all contributions to the Scholarship Organization (SO)**, and handles all paperwork with the DCED.

7. **SO distributes funds** to the member's designated private school(s).
8. **In February of the following tax year, members receive tax filing documents:**
 - a. PA Department of Revenue form 1123 for the SPE – Verifies that the tax credit exists for the SPE and the member's personal portion has been transferred to their Tax ID or Social Security Number when filing PA State Income Tax Return
 - b. Schedule K-1 – Indicates the members share in the SPE and used when filling Federal Income Tax Return
 - c. The state of Pennsylvania begins processing EITC tax credits on July 1. Credit disbursements happen usually beginning mid-end of August.

Participation

- **Minimum contribution amount of \$3,500**
- **Individuals must earn a minimum of \$115,000 in state taxable income individually or together, if filing status is Married Filing Jointly**
- **Individuals or couples (Married Filing Jointly) - one must work for a business or own a business**
- **Business or individual receives credits against Pennsylvania State Taxes for 90% of that amount each year.**
- **Example of minimum donation:**
 - ✓ Business or individual makes a contribution of \$3,500
 - ✓ \$3,150 is used as credits against State taxes

Educational Tax Credit Program Special Purpose Entities Donor Guide

Completing Joinder Agreement

- a. Sign Joinder Agreement
- b. Return Joinder Agreement to:
Tami Clark
227 Jefferson Ave.
Tyrone, PA 16686
Phone 814-942-4406
Fax 814-684-1061
Tami@cpsfcharity.org

Making Initial Capital Contribution

- a. The Central Pennsylvania Scholarship Fund will contact the donor when it receives notification that it has been awarded tax credits and request the donor's initial capital contribution. The donor will receive a copy of the award letter from the DCED with the letter requesting any capital contribution. The Central Pennsylvania Scholarship Fund has 60 days from the date on the letter to collection all capital contributions and make a donation to the Central Pennsylvania Scholarship Fund.
- b. Donor sends their capital contribution directly to the Special Purpose Entity that they are a member of.
- c. The Central Pennsylvania Scholarship Fund via numerous Special Purpose Entities acknowledges receipt of the capital contribution with the donor.

Activity in the Year Following the Donation

- a. The donor will receive the following tax documents from their partnership in the Special Purpose Entity in February:
 - PA Department of Revenue form 1123 for the SPE – Verifies that the tax credit exists for the SPE and the member's personal portion has been transferred to their Tax ID or Social Security Number when filing PA State Income Tax Return
 - Schedule K-1 – Indicates the members share in the SPE and used when filling Federal Income Tax Return
- b. The school will receive 100% of the donor's contribution for tuition assistance in the next school year.
- c. The state of Pennsylvania begins processing EITC tax credits on July 1. Credit disbursements happen usually beginning mid-end of August.

Making Second Capital Contribution

- a. The Central Pennsylvania Scholarship Fund will contact the donor when it receives notification that it has been awarded tax credits and request the donor's second capital contribution.
- b. The rest of the process for Year 2 is the same as above.

Process in Year 3

- a. The process in Year 3 will mirror the process in Year 1. The donor will be asked by the Central Pennsylvania Scholarship Fund to sign a new two-year Joinder Agreement and an initial capital contribution, when it is awarded tax credits. The rest of the process will mirror Years 1 & 2.
- b. Therefore, donors will be asked for capital contributions (initial or second) every year and to resign Joinder Agreements every other year.

IN WITNESS WHEREOF, the undersigned has executed this Joinder to Limited Liability Company Operating Agreement of Small School Scholarship Alliance LLC as of the date set forth below next to the undersigned's signature.

IF AN INDIVIDUAL OR 2 INDIVIDUALS SIGNING JOINTLY:

IF A LEGAL ENTITY:

Print name

Print name of legal entity

Signature of person's whose name is printed above

Print name

Signature of person's whose name is printed above

DATE: _____

Mailing Address

Email address

Social Security #

Social Security #

AMOUNT OF INITIAL CAPITAL CONTRIBUTION
(due upon acceptance):

\$ _____

NOTE: Minimum of \$3,500 unless Manager determines otherwise

AMOUNT OF SECOND CAPITAL CONTRIBUTION
(due at Manager's request)

\$ _____

NOTE: Same amount as Initial Capital Contribution

OPTIONAL: Manager is to use my Capital Contributions for children attending the following EITC/OSTC qualified schools:

Name of School: Walnut Street Christian School Amount \$ _____

Name of School: _____ Amount \$ _____

Name of School: _____ Amount \$ _____

IF THE ABOVE OPTIONAL DIRECTION IS LEFT BLANK, Capital Contributions will be regarded as undesignated by the Manager.

Randy Tarpey, in his capacity as Manager of the Company, hereby accepts this Joinder and admits the party or parties identified above as a Member of the Company as of the date set forth next to the signature below.

Small School Scholarship Alliance LLC

DATE: _____

By: _____
Randy Tarpey, Manager

Make Check Payable to:
Send Checks to:

Small School Scholarship Alliance LLC
Central Pennsylvania Scholarship Fund
Attn: Tami Clark or Randy Tarpey 227
Jefferson Avenue
Tyrone, PA 16686
(814)682-9035-Phone
(814)684-1061- Fax
Office Hours: 8:00 am – 4:00 pm Monday - Friday