

The Pennsylvania EITC Special Purpose Entity - Our Local *Central Pennsylvania Scholarship Fund (SPE)*

And what you need to know...

For individuals that wish to donate to scholarships at a school and receive PA Education tax credits (EITC) on their personal tax return the process of participating in a Special Purpose Entity (SPE) creates an opportunity for an EITC individual donor. This article attempts to explain the donation process at Central Pennsylvania Scholarship Fund (CPSF) and the 24 SPEs that currently donate to CPSF.

The Joinder

A joinder is a one-page document that allows a donor to join an SPE. The process is typically a two-step process. The first step is to complete the joinder with your individual name, address, social security number, and contact information to reserve a current year tax credit. You select a donation amount to reserve for the current year PA tax credit and you select a school to receive your donation as a scholarship for the school's students.

Your Amount

You need to select a donation amount that generates a PA 90% tax credit amount that will not exceed your total current year joint PA tax liability on line 12 of your PA 40. This amount is a guess since you don't know for sure what your current year taxes will be. If you select too high a donation the extra tax credits generated that you don't use on the current year tax filing will be lost. Your accountant may be able to help you estimate an approximate current year donation amount. You may be able to look at your year to date paystub and project an approximate annual PA paycheck withholding tax paid amount which will yield a good number to donate. You can also look on PA 40 line 12 from last years tax and if your income is expected to be the same you can use the prior year tax number as your maximum donation amount for reserving your SPE donation.

Your School Selection

All SPE donations are remitted to the Central Pennsylvania Scholarship Fund (CPSF). 100% of your donation will go as a scholarship to the school of your choice. You can select any preschool in Pennsylvania that charges tuition and has preschool instruction. You can select any K-12 school in Pennsylvania that charges tuition. A list of schools CPSF has paid scholarships in the past is located at this link. You can select any other eligible PA school as long as the school charges tuition. The schools help CPSF obtain the scholarship applications and thank the donors. As a donor the school will reach out to you and thank you for selecting them for your donation. We do share your information with the school you selected unless you give CPSF specific instructions on your joinder that you wish to remain anonymous.

The Rest of the Donation Process

Your tax credit joinder reservation is valid for the SPE listed or any of CPSF's 24 SPEs in case there is an upset in the tax credit award process. If CPSF needs to change your SPE joinder you will receive a preprinted joinder from a different SPE along with the DCED state award letter. When you receive the DCED award letter in October or November you will need to write your donation check to the SPE within the 60-day window listed in the award letter or before 12-31 or the SPE will void your reservation and offer your tax credit to the next donor with a joinder reservation.

The Scholarship Process

CPSF gets your donation check from the SPE at the end of the 60-day window in the DCED tax credit award letter. CPSF employees contact your school for scholarship paperwork for eligible students and once received remit the check for scholarships to your school. Your name and donation amount are provided multiple times to the school including when they ask, when scholarship information is requested and when a check is sent. Your school development employees or principal will thank you for your contribution and encourage you to continue to participate.

Your Tax Filing

The first week of February you will be mailed a federal and state K-1 tax form from the SPE. The federal K-1 will have your information from your joinder and a federal donation deduction for your full contribution that you can report on your federal tax form Schedule A Itemized Deduction on the gifts to charities line. The PA K-1 will have a 90% tax credit amount on it for you to transfer to your PA OC schedule and your PA 40 payment section of the tax return. A form 1123 form that manually transfers the PA tax credit from the SPE employer identification number (EIN) to your Social Security Number (SSN) will be provided. We provide this 1123 form to a PA Department of Revenue employee to process and your copy is proof in case you get a notice or to send it in with your PA 40 tax filing. Pennsylvania refunds are typically delayed until July because the state has to perform the manual transfer of the tax credit, manually check each refund return filed and thru a separate person and process authorize a refund check. After July or if you receive a tax notice a CPSF CPA is available to help you or your accountant make sure your tax credit is processed and your refund check is issued.

Next Year

In June or July CPSF will send you your new next year preprinted joinder reservation form. You are guaranteed as an existing donor the same tax credit donation amount in your existing SPE. When you get the mailing if there is no incorrect information or if your amount of donation will stay the same nothing needs done. Your next year tax credit donation reservation is confirmed. If any changes need to be made in information or donation amount just modify the preprinted joinder and return the modified joinder form to CPSF in Tyrone PA. In the fall when the DCED award letters arrive we will contact you for your next year donation.

Do I Qualify to Contribute to an SPE?

The minimum SPE contribution is \$3500 which can be made by any individual that has an annual individual or joint PA income of \$102,606 or higher without losing any PA tax credits.

An SPE member must work for a business or own a PA business to avoid having their tax credits nullified. If you don't qualify thru your paycheck or a PA business K-1 or LLC ownership there is a PA letter ruling that allows you to qualify by owning stock in a PA company. PPL is a PA company with a direct stock purchase option that allows you to qualify to be an SPE member easily and with a one-time outlay of \$265 that buys approximately 7 shares of PPL stock.

A PA small business typically does not pay PA taxes and so the joinder should be filled out by the individual owners. The business can make the donation from owners draw or tax accounts but the eligible SPE member is the individual that pays PA tax.

Conclusion

Donating to your school thru CPSFs SPE network is an efficient and effective way to redirect your Pennsylvania taxes to your local school for scholarships at no cost to you after your initial donation is refunded next year. If you wait too late to complete your joinder reservation your reservation can be used at the beginning of the new year in CPSFs second chance early tax credits. CPSF expects to run out of credits in the 4th quarter of the year so please send in your joinder reservation as soon as possible