

Educational Improvement Tax Credit Program

Business Guidelines and Application | August 2008
Award of Tax Credits to Business Firms for
Contributions to Scholarship Organizations,
Educational Improvement Organizations and
Pre-Kindergarten Scholarship Organizations

> ready > set > succeed



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Educational Improvement Tax Credit

Award of Tax Credits to Business Firms

I. Purpose

Act 48 of 2003 (the Act) amends the Public School Code to provide for the establishment of the Educational Improvement Tax Credit (EITC) and the Pre-Kindergarten (Pre-K) Tax Credit to be administered by the Department of Community and Economic Development (the Department). Act 48 authorizes the award of tax credits to businesses that make contributions to Scholarship Organizations and/or Educational Improvement Organizations and/or Pre-K Scholarship Organizations contained on a list published by the Department, as set forth by the requirements of the Act.

II. Eligibility

Entities eligible to apply for EITC are businesses authorized to do business in the Commonwealth of Pennsylvania that are subject to the following taxes: Corporate Net Income Tax, Capital Stock Franchise Tax, Bank and Trust Company Shares Tax, Title Insurance Companies Shares Tax, Insurance Premiums Tax, or Mutual Thrift Institutions Tax, or Personal Income Tax of S Corporation Shareholders, or partners in a general or limited partnership. To receive tax credits, businesses must be approved to make contributions to Scholarship Organizations and/or Educational Improvement Organizations and/or Pre-K Scholarship Organizations that are on the list of such organizations published by the Department.

For purposes of the EITC, a "contribution" from a business is a donation of cash, personal property or services the value of which is the net cost of the donation to the donor or the pro rata hourly wage, including benefits, of the individual performing the services. No tax credits shall be approved for activities that are part of the applicant business's normal course of business.

The current list of Scholarship Organizations and Educational Improvement Organizations and Pre-K Scholarship Organizations can be found on the Department's web site at www.newPA.com/EITC.

III. Application and Approval

A. Business SO and EIO Application and Approval

Eligible businesses must submit to the Department a completed application form found in Appendix I of these guidelines, signed by the Chief Executive Officer or other officer capable of making commitments for the business. A business may submit one or both applications, per type of organization that the business would like to make its contribution. The combined total may not exceed \$300,000 in tax credits. The PDF format is recommended when printing the application from the website.

An eligible business that submits an application to the Department and that agrees to make a contribution to an organization whose name is set forth on the current list of Scholarship Organizations or Educational Improvement Organizations maintained by the Department shall be awarded Educational Improvement Tax Credits to the extent that such tax credits remain available for the fiscal year in which application is made.

A business will be approved for a tax credit equal to 75% of its contribution(s) to listed organization(s), up to a maximum of \$300,000 per taxable year. The tax credit may be increased to 90% of the contribution(s) made, up to a maximum of \$300,000 per taxable year, if the business agrees to provide the same amount of contribution for two consecutive tax years. In order to receive and retain the 90% tax credit, the business must make the same amount of contribution in each of the two consecutive tax years.

Applications for tax credits for program fiscal year 2008-09 (July 1, 2008 through June 30, 2009) will be accepted beginning July 1, 2008. Tax credit applications will be processed on a first-come-first-served basis by day submitted. All applications received on a specific day will be processed on a random basis before moving on to the next day's applications. Applications will be processed until the amount of available tax credits is exhausted.

A business that has been approved for tax credits and has agreed to make the same amount of contribution for two consecutive tax years must submit its application to receive its second year of tax credits to the Department no later than June 30 of the first program fiscal year in order to be assured that tax credits will be available for the second year of the contribution. Applications for the second year of a two-year commitment will be accepted beginning May 15 and, if received by the Department on or before June 30, will be processed prior to any other applications for tax credits received by the Department. Applications for the second year of a two-year commitment that are not received on or before June 30 will be processed on a first-come-first-served basis by day submitted, along with all other business applications received by the Department, with no assurance that tax credits will remain available at the time of processing.

B. Business Pre-K Tax Credit Application and Approval

Eligible businesses must submit to the Department a completed application form found in Appendix I - PKSO of these guidelines, signed by the chief executive officer or other officer capable of making commitments for the business. The PDF format is recommended when printing the application from the website.

An eligible business that submits an application to the Department and that agrees to make a contribution to an organization whose name is set forth on the current list of Pre-K Scholarship Organizations maintained by the Department shall be awarded Pre-K Tax Credits to the extent that such tax credits remain available for the fiscal year in which the application is made.

A business may receive a tax credit equal to 100% of the first \$10,000 contributed to a Pre-K Scholarship Organization(s) during the taxable year, and may receive a tax credit equal to 90% of any additional amount contributed during the taxable year, up to a maximum of \$150,000 of tax credits per taxable year.

Applications for tax credits for program fiscal year 2008-09 (July 1, 2008 through June 30, 2009) will be accepted beginning July 1, 2008. Tax credit applications will be processed on a first-come-first-served basis by day submitted. All applications received on a specific day will be processed on a random basis before moving on to the next day's applications. Applications will be processed until the amount of available tax credits is exhausted.

IV. Earning of Tax Credits

Upon receipt of written notification from the Department that the business has been approved for tax credits, the business must make its contribution(s) to a listed Scholarship Organization(s) and/or Educational Improvement Organization(s) and/or Pre-K Scholarship Organization(s) within 60 days of the date of the letter, and must provide proof of the contribution to the Department within 90 days of the date of the approval letter. A business will only receive tax credits for donating to the type of organization and amount that is specified in the application and approval letter. Proof of contribution may be a copy of a written acknowledgment from the organization, in accordance with EITC Program guidelines for organizations. For services donated to an organization but which will not be performed until after the 60-day period, the business must submit a copy of a letter sent by the business to the recipient organization, dated within 60 days of the date of the approval letter, committing the business to donate the services described and which must be signed and accepted by the recipient organization. The Department of Revenue will consider tax credits awarded under this program to be effective on the first day of the taxable year in which the contribution was made.

If the Department does not receive proof that the contribution was made within 60 days of the date of the notification letter, the approval of tax credits will be rescinded.

No tax credits shall be approved for activities that are part of the applicant business's normal course of business.

V. Use of Tax Credits

Upon receipt of proof of contribution, the Department will notify the Department of Revenue to apply the tax credits against the appropriate taxes identified by the business in its application. The application of tax credits approved may not exceed the tax liability of a business for the tax year in which the contribution was made. Additionally, a tax credit not used in the tax year the contribution was made may not be carried forward or carried back and is not refundable or transferable.

The Department of Revenue will consider tax credits awarded under this program to be effective on the first day of the taxable year in which the contribution was made. The credit will then be used to offset (in full or part) the quarterly prepayment requirements and the remainder of the tax due for that taxable year.

VI. Contact Information

For program inquiries or delivery of applications via mail, fax, e-mail or in person:

Department of Community and Economic Development
The Educational Improvement Tax Credit Program
Center for Business Financing - Tax Credit Division
400 North Street, 4th Floor
Commonwealth Keystone Building
Harrisburg, PA 17120-0225
Telephone: (717) 787-7120
Fax: (717) 772-3581
E-mail: tknorr@state.pa.us

Appendix I

EITC Business Applications

In regards to the Appendix I

SO and EIO applications, one or both may be submitted, per type of organization that the business would like to make its contribution. The combined total may not exceed \$300,000 in tax credits.

Appendix I - SO

Business Application for Scholarship Organization Contribution

Appendix I - EIO

Business Application for Educational Improvement Organization Contribution

Appendix I - PKSO

Business Application for Pre-Kindergarten Scholarship Organization Contribution

Appendix I – PKSO may be submitted individually or with Appendix I - SO and/or Appendix I - EIO. The maximum tax credits that may be earned from an approved PKSO contribution may not exceed \$150,000 per year.

Appendix I - SO

Application for Educational Improvement Tax Credits (Scholarship Org)

Business Name:		FEIN:	
Address:			
City:		State:	
Zip Code:		County:	
Business Description:		NAICS Code*:	
CEO Name:		CEO Title:	
Contact Name:		Contact Title:	
Contact Phone #:		Contact Fax #:	
Contact E-mail Address:			
Business Tax Year End (MM/DD):		PA Corporate Tax Account ID #:	— — — — — - — — — —

Amount to be donated per year to a scholarship organization(s): \$ _____

Based on the contribution stated above, this application is for the following commitment:

- Year 1 of a 1 Year Commitment (75% Tax Credit)
- Year 1 of a 2 Year Commitment (90% Tax Credit)
- Year 2 of a 2 Year Commitment (90% Tax Credit)

Calculated amount of tax credits requested per year: \$ _____

- If the contribution will be personal property or services, please check here and attach a separate typed page describing the property or service and appropriate information establishing the value of the contribution.

Please check the taxes to which the business is subject (*check all that apply*).

- Corporate Net Income Tax
- Bank & Trust Company Shares Tax
- Insurance Premiums Tax
- Personal Income Tax of S Corporation Shareholders, or partners in a general or limited partnership
- Capital Stock Franchise Tax
- Title Insurance Company Shares Tax
- Mutual Thrift Institutions Tax

I hereby certify that all information contained herein is true and correct to the best of my knowledge. I acknowledge that tax credits will be awarded only for approved contributions made to Scholarship Organizations listed by the Department (DCED) at www.newPA.com/EITC. I am aware that contributions must be made within 60 days of the date on the approval letter and receipts must be forwarded to DCED by the business within 90 days of approval. Furthermore, I acknowledge that if I knowingly make false statement to obtain tax credits, I (company, entity and signer) may be subject to criminal prosecution.

Signature: _____

Date: _____

Print Name: _____

Title: _____

* A NAICS code search can be done at www.NAICS.com

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Appendix I - EIO

Application for Educational Improvement Tax Credits (Educational Improvement Org)

Business Name:		FEIN:	
Address:			
City:		State:	
Zip Code:		County:	
Business Description:		NAICS Code*:	
CEO Name:		CEO Title:	
Contact Name:		Contact Title:	
Contact Phone #:		Contact Fax #:	
Contact E-mail Address:			
Business Tax Year End (MM/DD):		PA Corporate Tax Account ID #:	_____

Amount to be donated per year to an educational improvement organization(s): \$ _____

Based on the contribution stated above, this application is for the following commitment:

- Year 1 of a 1 Year Commitment (75% Tax Credit)
- Year 1 of a 2 Year Commitment (90% Tax Credit)
- Year 2 of a 2 Year Commitment (90% Tax Credit)

Calculated amount of tax credits requested per year: \$ _____

- If the contribution will be personal property or services, please check here and attach a separate typed page describing the property or service and appropriate information establishing the value of the contribution.

Please check the taxes to which the business is subject (*check all that apply*).

- Corporate Net Income Tax
- Bank & Trust Company Shares Tax
- Insurance Premiums Tax
- Personal Income Tax of S Corporation Shareholders, or partners in a general or limited partnership
- Capital Stock Franchise Tax
- Title Insurance Company Shares Tax
- Mutual Thrift Institutions Tax

I hereby certify that all information contained herein is true and correct to the best of my knowledge. I acknowledge that tax credits will be awarded only for approved contributions made to Educational Improvement Organizations listed by the Department (DCED) at www.newPA.com/EITC. I am aware that contributions must be made within 60 days of the date on the approval letter and receipts must be forwarded to DCED by the business within 90 days of approval. Furthermore, I acknowledge that if I knowingly make false statement to obtain tax credits, I (company, entity and signer) may be subject to criminal prosecution.

Signature: _____

Date: _____

Print Name: _____

Title: _____

* A NAICS code search can be done at www.NAICS.com

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Appendix I - PKSO

Application for Pre-Kindergarten Tax Credits

Business Name:		FEIN:	
Address:			
City:		State:	
Zip Code:		County:	
Business Description:		NAICS Code*:	
CEO Name:		CEO Title:	
Contact Name:		Contact Title:	
Contact Phone #:		Contact Fax #:	
Contact E-mail Address:			
Business Tax Year End (MM/DD):		PA Corporate Tax Account ID #:	____ - ____ - ____ - ____ - ____ - ____

Amount to be donated per year to a Pre-K Scholarship organization(s): \$ _____

Pre-K Scholarship Tax Credits are calculated as follows: 100% credit for the first \$10,000 and 90% credit thereafter, up to a maximum tax credit of \$100,000.

Calculated amount of tax credits requested: \$ _____

- If the contribution will be personal property or services, please check here and attach a separate typed page describing the property or service and appropriate information establishing the value of the contribution.

Please check the taxes to which the business is subject (*check all that apply*).

- | | |
|---|---|
| <input type="checkbox"/> Corporate Net Income Tax | <input type="checkbox"/> Capital Stock Franchise Tax |
| <input type="checkbox"/> Bank & Trust Company Shares Tax | <input type="checkbox"/> Title Insurance Company Shares Tax |
| <input type="checkbox"/> Insurance Premiums Tax | <input type="checkbox"/> Mutual Thrift Institutions Tax |
| <input type="checkbox"/> Personal Income Tax of S Corporation Shareholders, or partners in a general or limited partnership | |

I hereby certify that all information contained herein is true and correct to the best of my knowledge. I acknowledge that tax credits will be awarded only for approved contributions made to Pre-K Scholarship Organizations listed by the Department (DCED) at www.newPA.com/EITC. I am aware that contributions must be made within 60 days of the date on the approval letter and receipts must be forwarded to DCED by the business within 90 days of approval. Furthermore, I acknowledge that if I knowingly make false statement to obtain tax credits, I (company, entity and signer) may be subject to criminal prosecution.

Signature: _____

Date: _____

Print Name: _____

Title: _____

* A NAICS code search can be done at www.NAICS.com