

## Pennsylvania Educational Improvement Tax Credit (EITC) & Opportunity Scholarship Tax Credit (OSTC) Programs

### What are EITC and OSTC Programs?

The EITC and OSTC programs in Pennsylvania allow businesses and owners of pass through entities (partnerships, LLC's and Subchapter S Corporations) or individuals who participate in a Special Purpose Entity to direct a certain portion of their corporate or personal income tax dollars to certain scholarship organizations, including those of not for profit schools and certain other not for profit organizations, that have applied for and are entities approved by the PA Department of Community and Economic Development for this program, (a list of qualified organizations is posted on the DCED website). EITC and OSTC programs allow businesses and pass through entity owners, that have a tax liability to Pennsylvania, to provide scholarship support for low/middle income students and, in the process, these businesses, their owners or individuals realize a significant tax benefit. When making a two year commitment, a business or individual can claim a 90% tax credit against their Pennsylvania income tax or those other Pennsylvania taxes listed below. This program allows businesses and individuals to have some control over where a portion of their Pennsylvania taxes are directed.

Schools serve students who directly benefit from EITC and OSTC funds. EITC and OSTC funds can be directed to the scholarship programs at a qualified school or institution. Need based scholarships are awarded to eligible students, including students with a disability, who are a member of a household that meets a certain income threshold as defined by the Commonwealth and, in the case of OSTC funds, belong to a home school (geographic location) that is considered poor performing.

The following Pennsylvania taxes are eligible for credit:

- Personal Income Tax (must be secured through a pass-through entity or a Special Purpose Entity)
- Capital Stock/Foreign Franchise Tax
- Corporate Net Income Tax
- Bank Shares Tax
- Title Insurance & Trust Company Shares Tax
- Insurance Premium Tax (excluding surplus lines, unauthorized, domestic/foreign marine)
- Mutual Thrift Tax
- Malt Beverage Tax
- Retaliatory Fees under section 212 of the Insurance Company Law of 1921

A one-year commitment through the EITC/OSTC Program allows for a 75% tax credit; a 2-year commitment provides a 90% credit. The maximum business contribution in one calendar year is \$750,000. Typically EITC and OSTC funds are exhausted on July 1. Renewing businesses, businesses who have been approved in the immediate preceding cycle, or those who are in their second year of renewal, who wish to continue their participation, may apply on May 15.

### How to participate:

1. Apply online via the link on the DCED [Application page](#). Register for a login if you don't already have one, and then complete the online application for either the EITC or OSTC program. Please note: You will be asked to select either EITC or OSTC in this application; and, in addition, if your first choice is unavailable, whether you would like to apply for the other program. Please answer YES to this question. There is virtually no difference from the business perspective. Center School qualifies for both programs. Click here for the [business online application guide](#).
2. Upon receipt of your approval letter from the DCED, you have 60 calendar days from the date of that letter to make a contribution.
3. An acknowledgement will be sent upon the receipt of your check. Simply mail a copy of the acknowledgment to the PA Department of Revenue within 90 days of the date of your approval letter.

This article was submitted by Center School.