



# **The Educational Improvement Tax Credit**

*Good for Pennsylvania's Children – Good for Pennsylvania's Business Community*

## **Frequently Asked Questions - A Guide for the Business Community**

### **What are Educational Improvement Tax Credits (EITC)?**

A Pennsylvania tax credit for businesses that contribute to an approved Scholarship Organization, Educational Improvement Organization, or Pre-K Scholarship Organization. Scholarship Organizations award scholarships to children across Pennsylvania to assist them in attending the schools of their choice. There are family income limits on scholarship recipients.

### **What businesses qualify?**

Businesses that pay Pennsylvania taxes. Included are: Corporate Net Income Tax; Capital Stock and Franchise Tax; Bank and Trust Company Shares Tax; Title Insurance Companies Shares Tax; Insurance Premiums Tax; Mutual Thrift Institutions Tax; or Personal Income Tax of S corporation shareholders or Partnership partners.

### **How much of a tax credit can I get for my business?**

A yearly tax credit of 75% against Pennsylvania taxes. This is increased to 90% if a company makes a written two-year commitment. Further, the existing Federal charitable deduction still applies to this contribution, increasing the value of the tax credit. A company may receive up to \$450,000 in Pennsylvania tax credits per year (\$300,000 through a scholarship or educational improvement organizations & \$150,000 through a pre-k scholarship organization).

### **What Scholarship Organizations can businesses contribute to in order to receive the tax credit?**

A Scholarship Organization must be a registered 501(c) (3) and distribute at least 80% of the EITC contributions it receives each year to eligible students. Additionally, it must register with and be approved by the Department of Community and Economic Development (DCED). A business may choose to divide its contribution among several Scholarship Organizations.

### **How do businesses know which Scholarship Organizations are approved?**

Simply visit REACH's web site at [www.paschoolchoice.org](http://www.paschoolchoice.org) and click on the EITC menu.

### **What is the process for a business to receive the tax credit?**

A business must apply to DCED for the tax credit. Tax credits are awarded on first-come, first-served basis starting on the first day of the new fiscal year. Businesses can download an application at [www.paschoolchoice.org](http://www.paschoolchoice.org). After approval by DCED, a business must make its contribution to an approved Scholarship Organization(s) within 60 days. Once the business receives confirmation of their donation and sends that into DCED, the tax credit will be awarded.

**The EITC Program is a win-win for Pennsylvania businesses and families. Since 2001, 3,600 businesses have donated \$350 million for scholarships and public education initiatives.**

**There are currently tax credits still available for 2008-09!**

**Act today to take advantage of this great program.**

*For more information about the Educational Improvement Tax Credit:*

*717-238-1878 or [mail@paschoolchoice.org](mailto:mail@paschoolchoice.org)*

*[DCED's website](#) is also a great resource for EITC information.*