

# EITC at a Glance

## Educational Improvement Tax Credit

### What is it?

- A Pennsylvania tax credit program that reduces a company's tax liability by allowing it to contribute to approved Educational Improvement Organizations, Scholarship Organizations and/or Pre-kindergarten Scholarship Organizations.
- Administered by the Commonwealth Department of Community and Economic Development (DCED)
- Online only application process: [www.newpa.com/EITC](http://www.newpa.com/EITC)

### Rules

- Eligible businesses can contribute cash, services or personal property to achieve a \$750,000 maximum tax credit.
- Tax credits are equal to 75% of the contribution amount for a single year, or 90% for a two-year commitment. For contributions to a Pre-Kindergarten Scholarship Organization, a business may receive a tax credit equal to 100% of the first \$10,000 contributed and up to 90% of the remaining amount contributed up to a maximum credit of \$200,000 annually.
- Applications may be submitted on July 1 for that calendar year, or May 15 for second year commitment renewal applications.
- An additional two-year application can be filed starting May 15 after the second-year commitment is fulfilled.
- Applications are processed on a first come, first-serve basis.

### Applicable Taxes

- Personal Income Tax of Partner/ Shareholder
- Corporate Net Income Tax
- Bank Shares Tax
- Title Insurance Companies Shares tax
- Insurance Premiums Tax
- Mutual Thrift Tax
- Tax under the Insurance Company Law of 1921

### Requirements

- Must be authorized to do business in PA
- Tax credits must be used in the year the election is made; they are non-transferable and non-refundable (although pass-through entities can utilize credits the following year if making an irrevocable election via REV-1123 Educational Improvement Tax Credit Election Form to pass through the credit to the underlying owners of the entity in proportion to the share of the entity's distributive income to which the owners are entitled). Applications may be submitted on July 1 for that calendar year, or May 15 for second year commitment renewal applications.
- An entity can reap various tax benefits from this program including a charitable donation deduction, the EITC itself and a reduction in state taxes.

## LET'S TAKE A CLOSER LOOK

There are many detailed guidelines for the EITC program, different requirements for some educational organizations, and specific rules for earning EITC credits. Contact our office for more information, or for a complimentary assessment of your company's eligibility.