

Erie County Vocational-Technical School Foundation Educational Improvement Tax Credit (EITC) Program

A. What is the Educational Improvement Tax Credit Program?

The Educational Improvement Tax Credit (EITC) Program authorizes tax credits (not deductions) for businesses that make contributions to Educational Improvement Organizations or scholarship organizations. The program is administered by the Pennsylvania Department of Community and Economic Development (DCED). The EITC Program enables companies to support nonprofit schools at minimal cost. Instead of sending tax dollars to Harrisburg, companies can reallocate them to support the Erie County Vocational-Technical School Foundation (ECVTSF).

B. When did the EITC program begin?

On May 7, 2001, by an overwhelming bi-partisan majority, Pennsylvania made history by becoming the first state to pass an education tax credit aimed at businesses and corporations (HB 996).

Now, effective retroactively to July 1, 2008, the definition of “business entity” has been expanded to include S Corporations and Partnerships which can receive up to \$200,000 in tax credits annually. Most importantly, the EITC provides students and staff with additional opportunities that cannot be provided via the school district budget.

C. What is an Educational Improvement Organization (EIO)?

An EIO is a non-profit organization approved by DCED for participation in the EITC program. To become an EIO, the non-profit must demonstrate to the DCED how its programs improve educational opportunities for children. The ECVTSF assists the technical school and partnering school districts by supplementing funding for Career Street and other Foundation programs.

D. Who can participate?

Businesses authorized to do business in Pennsylvania who are subject to one or more of the following taxes:

1. Corporate Net Income Tax
2. Capital Stock Franchise Tax
3. Bank and Trust Company Shares Tax
4. Title Insurance Companies Shares Tax
5. Insurance Premiums Tax
6. Mutual Thrift Institution Tax
7. Insurance Company Law of 1921
8. Personal Income Tax of S corporation shareholders or Partnership partners

E. Why should businesses participate?

Businesses can significantly reduce their liability for Pennsylvania taxes while they support organizations, like the ECVTSF, which enhance educational opportunities for children. Additionally, by participating in the EITC program, an organization accrues the public relations benefits that occur whenever a company supports a worthy cause in the area where it does business. By supporting an

education organization in which employees have a special interest, an employer can gain the appreciation of the people who make the business work.

F. When does the tax credit program begin?

Timing is critical! The program year runs July 1 – June 30. 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 approved until the amount of available tax credits is exhausted.

Last year, due to the popularity of the program, all designated tax credit funds for Educational Improvement Organizations were allotted on the very first day. Therefore, it is very important that your application be filed on Day 1. Email or Fax are acceptable submission methods.

G. How many tax credits can a business apply for and how are they used?

The EITC program provides companies with a 75% tax credit for one-time donations to an educational improvement organization. The tax credit increases to 90% if the company commits to making the same donations for two consecutive years. A federal charitable contribution deduction may be available to a business for the remaining contribution amount not eligible for a tax credit – making the total cost of their donation ZERO DOLLARS. A business paying taxes in Pennsylvania and contributing to an EIO can receive up to \$300,000 in tax credits annually.

Here is an example:

In 2014 and 2015, ABC Company generously pledged \$10,000/year to the ECVTSF. They paid us \$10,000 each year, and then PA gave them a \$9,000 credit off of their owed taxes each year.

If they chose to make a one-time donation of \$10,000, they would have received a credit of \$7500. Again, they would likely also qualified for a federal deduction for their charitable giving that may negate any out-of-pocket cost to them as a result of the donation.

From the point of view of our Educational Improvement Organization, a contribution of any amount is welcome. A large corporation may be able to contribute an amount that results in the maximum tax credit. A small business may contribute far less but the contribution may be a source of great pride for the business owner and employees. Each gift, no matter the size, helps a student to receive the education he or she needs to reach personal potential and take a fulfilling, rewarding place in society.

H. How do businesses apply for the tax credit?

The simple, one page application form is available through the Department of Community and Economic Development (DCEC) by clicking [HERE](#). Select "EITC Business" under Guidelines for further information and the application form. *Special Note – our donors only need to fill out page 12, as we are an Educational Improvement Organization (EIO), not a Scholarship Org (SO) or Pre-K org (PKSO). You can also contact DCEC at (717) 787-7120.

The process is very simple:

1. Business completes one-page application and submits it to the PA DCED on July 2, 2012.
2. Business receives a letter of approval from DCED, and then chooses which EIOs to support.
3. Business submits monetary contribution within 60 days to ECVTSF
4. ECVTSF provides business with acknowledgment of contribution.
5. Business submits acknowledgment to DCED.
6. DCED communicates with PA Dept. of Revenue and applicable tax credit is applied to business tax account.
7. Credit is taken as a payment of taxes on businesses' annual tax return filing.