

# Educational Improvement Tax Credit

## Award of Tax Credits to Business Firms 1. Purpose

Act 48 of 2003 (the Act) amends the Public School Code to provide for the establishment of the Educational Improvement Tax Credit (EITC) 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 contained on a list published by the Department.

## II. Eligibility

Entities eligible to apply for Educational Improvement Tax Credits 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. To receive tax credits, businesses must make contributions to scholarship organizations and/or educational improvement 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 can be found on the Department's web site at [www.newPA.com](http://www.newPA.com).

## III. 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. 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 \$200,000 per taxable year. The tax credit may be increased to 90% of the contribution(s) made, up to a maximum of \$200,000 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 2008-2009 (July 1, 2008 through June 30, 2009) will be accepted beginning June 30, 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.

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) or educational improvement organization(s) within 60 days of the date of the notification letter, and must provide proof of the contribution to the Department within 90 days of the date of the notification 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 notification 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.

#### **IV. 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.

#### **V. Program Inquiries**

Program inquiries and applications should be directed to:

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