

EITC State Tax Credit Opportunity

To Benefit:
TRINITY CHRISTIAN SCHOOL SCHOLARSHIP FUND

- Are you a Pennsylvania higher income earner who pays at least \$3,500 in PA State tax?
- Are you subject to the Alternative Minimum Tax (AMT)? *(Although not a requirement for participation, those individuals subject to AMT will see an even greater benefit in participating.)*
- Would you like to help impact your community and help local children attend Trinity Christian School by redirecting up to 100% of your PA State tax dollars to our scholarship fund that is used for financial aid purposes? Trinity Christian School is located in Forest Hills and serves many families from Pittsburgh, Wilksburg, Woodland Hills, and Penn Hills.

You now have an opportunity to make a charitable contribution up to the value of your PA State tax liability to an authorized Scholarship Organization that in turn can be directed to schools such as Trinity Christian. Your contribution can be used exclusively for scholarship and financial aid purposes and you will receive a PA State tax credit for up to 90% of that donation and additional federal deductions!

PROGRAM BACKGROUND: Since 2001, there has been a PA State program in place called EITC or Educational Improvement Tax Credit, that has allowed companies and businesses to receive as much as a 90% State tax credit when a charitable contribution is made to a State Authorized Scholarship Organization. These donations are then directed by the Scholarship Organization to schools such as Trinity Christian which are used exclusively for scholarship and financial aid purposes. Trinity uses Central PA Scholarship Fund as one of our primary State Authorized Scholarship Organizations and has had a strong relationship with them for many years.

NOW: Pennsylvania has opened the EITC program to individuals through the use of a “Special Purpose Entity” (SPE). The SPE is a pass-through entity and is established to apply for and utilize the EITC credits to offset PA personal income tax liability. The SPE receives the donations from its members, applies for the tax credit and disperses those funds to schools such as Trinity Christian.

Central PA Scholarship Fund has established the Central Pennsylvania Special Purpose Entity LLC as their SPE. The tax credits are passed through to you on individual Federal K-1 and Pennsylvania K-1 tax forms.

ADDITIONALLY: If you are an individual that pays the Alternative Minimum Tax, also known as AMT, there is another significant added benefit when you make a charitable contribution to this program! In this situation, the individual donor who is subject to AMT would actually benefit by as much as a **16% increase over their donation amount!** The donor receives the same 90% tax credit, and also avoids paying the 26% Alternative Minimum Tax. The combination can result in a 16% net gain on the donation amount.

If you are an individual paying the AMT, please consult with your tax accountant and ask what your specific results would be if you made a charitable contribution in the amount of your expected state tax liability to this program.



FIRST-COME, FIRST-SERVE: Pennsylvania only allows a limited amount of charitable contributions to be donated to the EITC program every year, and typically those funds are fully committed to donors by early July. This year, **Central PA Scholarship's** Special Purpose Entity LLC had applied for and received extra EITC dollars from the State so they are in the unique position of still having funds available for new donors in 2017! We are encouraging people to send in the one-page, non-binding application form as soon as possible since it is impossible to tell how long those remaining funds will remain unclaimed by new donors.

What do I need to do to apply?

All you need to do to apply for this program is simply send in the one page, non-binding application form to Central PA Scholarship Fund. The one-page form is the last page of the attached "Joinder" document. The submission of that application form will reserve your spot on a first come first serve basis for 2017 funds.

When do I need to send in my donation?

Once your application has been received and approved by Central PA Scholarship fund, you will need to send in your donation check to Randy Tarpey at Central PA any time **before** the end of the year.

When would I receive my tax refund from the state?

You will receive the State tax credit K1 form in February from Central PA to file with your taxes and you should expect to receive your State tax refund as you normally would toward the middle of the year.

If you are interested in finding out more about this program, please contact Dan VerHill at Trinity Christian School (412) 417-3667 or email verhilldan@aol.com. We will be happy provide all the details required for your participation.

Basic Summary Tax Calculation Example

If an individual's State tax liability is \$10,000, and they make a charitable contribution of this amount to the Central PA Scholarship Fund, the individual will receive a State tax credit of 90% or \$9,000 in this example. Additionally, if they are subject to AMT, the individual would typically be paying a 26% Federal tax rate, which in this example is \$2,600. Normally, State taxes are not tax deductible under the Federal AMT, but under this program, the individual making this charitable donation can deduct the \$10,000 from AMT and in turn saves the \$2,600 in taxes. Their total realized benefit is \$11,600, or a 16% net increase over their donation amount!

	NORMAL DONATION	EITC DONATION	EITC DONATION WITH AMT
Contribution	\$10,000	\$10,000	\$10,000
State Tax Credit	(0)	(\$9,000)	(\$9,000)
Federal Tax Deduction (Assumes a 35% Fed tax rate)	(\$3,500)	(\$350)	(\$2,600) AMT deduction
Net Out of Pocket Cost	\$6,500	\$650	(\$1,600) Net gain