

EITC Special Purpose Entities (SPE) Quick Reference Sheet

(Revised 8/22/19)

What is a SPE? *(hint: a way to divert the PA taxes you pay to FCS instead!)*

A Special Purpose Entity is a newer class of partnership that enables *qualifying individuals* and businesses to participate in the PA EITC (Educational Improvement Tax Credit) program, without the need to “win the application lottery” on the annual July 1 deadline. The SPE has already successfully applied for EITC tax credits, which are then passed on to qualifying individuals or businesses that donate to Faith Christian School via the SPE.

Eligibility for Individuals:

- Must be employed by a for-profit business or own a for-profit business, OR have a spouse who is employed by or owns a for-profit business and file tax returns with status of Married Filing Jointly. (A new letter ruling also allows individuals employed by a non-profit to participate if they own stock in a PA based company.)
- Must expect to owe a minimum of \$3,150 (90% of \$3,500) in PA state income tax on his/her own, or together with spouse if filing status is Married Filing Jointly.
- Minimum contribution amount is \$3,500 per year, with a 2 year commitment.

(Please consult your tax advisor for questions regarding your specific tax status.)

Eligibility for Businesses:

Remains similar to regular EITC program participation, but adds a few requirements, as follows:

- **Businesses often eligible to participate: S Corps, C Corps, General Partnerships, Limited Partnerships, Limited Liability Companies (LLC)**
- **Businesses must pay one or more of the following Pennsylvania taxes annually:**
 - o Personal Income Tax
 - o Capital Stock/Foreign Franchise Tax
 - o Corporate Net Income Tax
 - o And others detailed at <https://dced.pa.gov/programs/educational-improvement-tax-credit-program-eitc/>
- **Minimum contribution of \$3,500 per year, with a 2 year commitment (must also have qualifying PA tax liability of at least \$3,150, which is 90% of \$3,500)**

What are the Benefits?

- **When you make a 2 year commitment, you will receive 90% of your contribution back as a PA state tax credit, and the remaining 10% will be considered a charitable contribution (which you may deduct on your federal tax return if you itemize).**
- **Every dollar paid to the SPE will be passed on to Faith Christian as an EITC donation.**
- **Becoming a member of the SPE and making a donation is easy – just complete a one page form and write a check!**

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