

The E.I.T.C. Program 2011-2012

Frequently Asked Questions

What is EITC?

On May 7, 2001, The General Assembly of Pennsylvania passed House Bill No. 996 which included the establishment of the Educational Improvement Tax Credit (EITC). This program is to enhance the educational opportunities available to all students in the commonwealth.

The EITC has accomplished what many in Pennsylvania have been advocating for years: to get the business community more involved in education. The EITC enables companies to support local non-profit organizations, at minimum cost, instead of sending their tax dollars to Harrisburg.

How does it work?

EITC provides companies with a tax credit for donations to an approved Scholarship Organization. The amount of tax credit can equal 75% of the amount contributed for a one-year commitment. The tax credit increases to 90% if the company commits to making the same donations for two consecutive years.

What is a Scholarship Organization?

A Scholarship Organization provides scholarships to children to attend the schools of their choice. Scholarship Organizations must be approved by the DCED (Department of Community and Economic Development, Harrisburg). Imani Christian Academy is an approved Scholarship Organization.

What does it take to be eligible for the EITC program?

All businesses (except for sole proprietorships) paying the following taxes in PA are eligible for the EITC program: 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, or Personal Income Tax of S Corporation Share holders, or partners in a general or limited partnership.

What is the maximum tax credit available?

A business paying taxes in Pennsylvania can receive up to \$300,000 in tax credits annually.

How do I receive tax credits?

To receive tax credits, eligible businesses must submit to the Department of Community and Economic Development a completed application form. The process takes about 15 minutes.

Applications for year 2 or a 2 year commitment will be accepted beginning May 16, 2011. New applications will be accepted no earlier than July 1, 2011, except for businesses using the pass-thru provision of the program, in which case the application may not be submitted until July 8, 2011.

Need more information?

For business guidelines visit the PA website at www.newpa.com/eitc, click on [EITC Business 2011 F.pdf](#), or call Pat Hargest, Imani Director of Development, at 412-342-4431.

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Sample Computations for "C" Corporations Participating in the Educational Improvement Tax Credit

	<u>No Contribution</u>	<u>75% EITC</u>	<u>90% EITC</u>
Net Income Before Contribution & CNI Tax	\$220,000	\$220,000	\$220,000
EITC Contribution	None	\$10,000	\$10,000
Federal Taxable Income Before PA CNI Tax	\$220,000	\$210,000	\$210,000
PA CNI Tax @ 9.99%	\$21,978	\$20,979	\$20,979
Federal Income After PA CNI Tax	\$198,022	\$189,021	\$189,021
PA CNI Tax Savings (After Deduction for Contributions)	None	\$999	\$999
EITC (PA CNI Tax Savings)	None	\$7,500	\$9,000
PA Tax Savings – Total	None	\$8,499	\$9,999
Federal Taxable Income	\$198,022	\$196,521	\$198,021
Federal Tax	\$60,479	\$59,893	\$60,478
Federal Tax Savings	None	\$586	\$1
PA Tax Savings – Total	None	\$8,499	\$9,999
Federal Tax Savings	None	\$586	\$1
Total Tax Savings	None	\$9,999	\$10,000
Annual Cash Required to Contribute \$10,000	0	\$915	0
Percentage Effective Total Tax Saving when Contributing \$10,000 with an EITC		90.85%	100.00%

SAMPLE TAX CALCULATION: SUBCHAPTER S-CORPORATION CONTRIBUTIONS TO THE EITC WITH PA INCOME TAX

	No Contribution	90% Contribution
Net S-corp income before contribution	\$310,000	\$310,000
EITC Contribution	\$0	\$10,000
Fed/PA Taxable Income before Adjustments	\$310,000	\$300,000
PA Personal Income Tax (3.07%)	\$9,517	\$9,210
PA Personal Tax Savings	\$0	\$307
EITC Credit available for PA Personal Income Tax	\$0	\$9,000
Total PA Tax Savings	\$0	\$9,307
Fed/PA Taxable Income from S-Corp before Adjustments	\$310,000	\$300,000
Add Back: Reduction of State Tax Deduction	\$0	\$9,307
Net Federal Taxable Income from S-Corp	\$310,000	\$309,307
Federal Tax from S-corp (assume 35% bracket)	\$108,500	\$108,257
Federal Tax Savings	\$0	\$243
Total Tax Savings	\$0	\$9,550
Net Cost to Contribute \$10,000		\$450

New for the 2008-2009 fiscal year, subchapter S-corporations and other "pass-through" business entities will be able to use the credit against PA personal income taxes from the PA business income of the "pass-through" entity.

Appendix I - SO

Application for Educational Improvement Tax Credits (Scholarship Org)

Business Name:		FEIN:	
Address:			
City:		State:	
Zip Code:		County:	
Business Description:		NAICS Code*:	
CEO Name:		CEO Title:	
Contact Name:		Contact Title:	
Contact Phone #:		Contact Fax #:	
Contact E-mail Address:			
Business Tax Year End (MM/DD):		PA Corporate Tax Account ID #:	— — — — —

Please check if the information in the above selection differs from previous applications.

Amount to be donated per year to a scholarship organization(s): \$ _____

Based on the contribution stated above, this application is for the following commitment:

- Year 1 of a 1 Year Commitment (75% Tax Credit)
- Year 1 of a 2 Year Commitment (90% Tax Credit)
- Year 2 of a 2 Year Commitment (90% Tax Credit)

Calculated amount of tax credits requested per year: \$ _____

If the contribution will be personal property or services, please check here and attach a separate typed page describing the property or service and appropriate information establishing the value of the contribution.

The EITC may be used against the following business taxes: Corporate Net Income Tax, Capital Stock Franchise Tax, Bank & Trust Company Shares Tax, Title Insurance Company Shares Tax, Insurance Premiums Tax and Mutual Thrift Institutions Tax.

S Corporations, General Partnerships or Limited Partnerships Only: In addition to earning credits for any of the six corporate taxes listed above, any 2 of a 2 year commitment submitted between May 16 and June 30 or year 1 application submitted on or after July 8 may request to pass credits through to the personal income tax of the shareholders or partners, per Section II of these guidelines. If the option is requested, the business may not submit this application between July 1 and July 7.

Does the applicant desire the option to pass the credits through to personal income tax?
 Yes No (If neither option is selected, the pass through option will not be available)

I hereby certify that all information contained herein is true and correct to the best of my knowledge. I acknowledge that tax credits will be awarded only for approved contributions made to Scholarship Organizations listed by the Department (DCED) at www.newPA.com/EITC. I am aware that contributions must be made within 60 days of the date on the approval letter and receipts must be forwarded to DCED by the business within 90 days of approval. Furthermore, I acknowledge that if I knowingly make false statement to obtain tax credits, I (company, entity and signer) may be subject to criminal prosecution.

Signature: _____

Date: _____

Print Name: _____

Title: _____

* A NAICS code search can be done at www.NAICS.com

CASE FOR SUPPORTING IMANI

April 2011

Sixty three percent of Imani students are male. One hundred percent of Imani students are inner city African American.

One hundred percent of Imani's 2009/10 class graduated and went on to "lives of purpose", as outlined in our mission. This included attending colleges from Cal U to Carlow to CCAC; joining the military; obtaining jobs; attending trade schools; and getting into union shops.

This favorably compares to a 2010 Rand Corporation study of more than 6,000 students over a two year period in the City of Pittsburgh schools where the African American males' graduation rate is 50 percent (or the dropout rate is 50 percent).

Imani students and programs are regularly recognized for their academics, leadership, and athletic prowess. Recently, senior Kaadir Smith received the highest NEED (Negro Education Emergency Drive) scholarship for academic merit. Two students were selected by Tribune Review Outstanding Citizens Award.

The Pittsburgh Courier in a recent article about the basketball team is stated, "The best team in town is 'The Saints' of Imani Christian Academy."

An Imani senior, Alonzo Murphy, received a full basketball scholarship through the National Junior College Athletic Association.

Imani faculty, too, are recognized for developing and implementing a successful model to educate inner-city children. Dr. Marilyn Barnett, along with four imani teachers, has been selected to present at the National Council on Educating Black Children.

Milton Raiford, Headmaster, has been selected to present at a symposium on, "Reducing Youth Violence: Models for Success" by the Pittsburgh Psychoanalytic Center.

Imani is also an economic engine for and in the African American community. With a budget of nearly three million dollars, it has 38 employees, 92 percent are African American who serve as role models for the children.

Imani has a strong mentoring program. Thirty seven volunteers from businesses, the trades, and athletics meet with the Imani children to broaden their world views.

The cost to educate a student in the Pittsburgh City schools is approximately \$20,000 per student per year. The cost to educate a student at Imani is approximately \$12,000.

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CASE FOR SUPPORTING IMANI (Con't.)

April 2011

The cost to incarcerate a prisoner for a year in PA in the PA State Penal System is \$32,059 (2009, Jack Wagner, Pittsburgh Tribune Review).

There are 51,000 incarcerated in PA State system. This excludes the county prison populations.

There are 2,900 inmates in the Allegheny County jail which was designed to house 800 when it was built.

Of the 2,900 inmates approximate 50 percent are African American while the African American population of Allegheny County is 12.5 percent.

African American males in Pennsylvania are incarcerated at a significantly higher rate than any other group when they are compared to the percentage they represent in the population. According to Marc Mauer, Executive Director of The Sentencing Poll, "For black males, the criminal justice system has become almost an inevitable aspect of growing up. This is not to say that it is a 'rite of passage', or an event that is welcomed, but merely, that it is viewed as a part of the life cycle almost unavoidable."

Imani's staff at the high school level is 50 percent African American male. They serve as role models to the students who often come from single parent families where there is no male role model.

Imani provides an excellent return on your investment. Dr. Patrick Wolf, expert on school choice and education reform from the University of Arkansas, recently testified before Congress that poor inner city children who make use of scholarship programs are nearly one third more likely to graduate and reduce the need for social services while increasing their future taxable earning. This expert estimates that by helping one additional student to graduate, tax payers will save \$269,000.

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