

November 5, 2012

# EITC 2.0: Opportunity Scholarship Tax Credit Program

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Recently, the Commonwealth of Pennsylvania enacted Pennsylvania Act 85 of 2012, which created the [Opportunity Scholarship Tax Credit \(OSTC\) Program](#), which provides tax credits to eligible businesses that contribute to an approved Opportunity Scholarship Organization. Entities eligible to apply for the OSTC are businesses authorized to do business in 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. This includes entities that are classified as pass-through entities.

There has been some confusion regarding the differences between the [Educational Improvement Tax Credit \(EITC\) Program](#) and the OSTC. The most significant difference is that the OSTC program is available only to students who live within the boundaries of a low-achieving school district, as determined by the Pennsylvania Department of Education, and whose family's household income is no greater than \$60,000, plus \$12,000 for each dependent member of the household.

Businesses must apply through the Pennsylvania Department of Community and Economic Development (DCED) to participate in this program. Those businesses that have been determined to be eligible by the DCED to contribute to the program are then able to take a tax credit equal to 75% of their contribution amount (which is capped at \$400,000), which then can be increased to 90% upon the business committing to contribute for two years. Total program funding available for the fiscal year ending 2012-2013 is \$50,000,000.

Organizations also need to apply with the DCED to be eligible to participate in the program. Specifically, these requirements are: (1) the organization must be a nonprofit entity, (2) the organization must be exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and (3) The Organization must contribute at least 80% of its annual OSTC receipts to an opportunity scholarship program that meets the requirements of the Act, which were outlined above.

Ultimately, this program can be a win/win for both businesses and nonprofit entities providing educational services. It does require some work by both parties to become eligible to participate in the program; however, there are distinct benefits to both parties.

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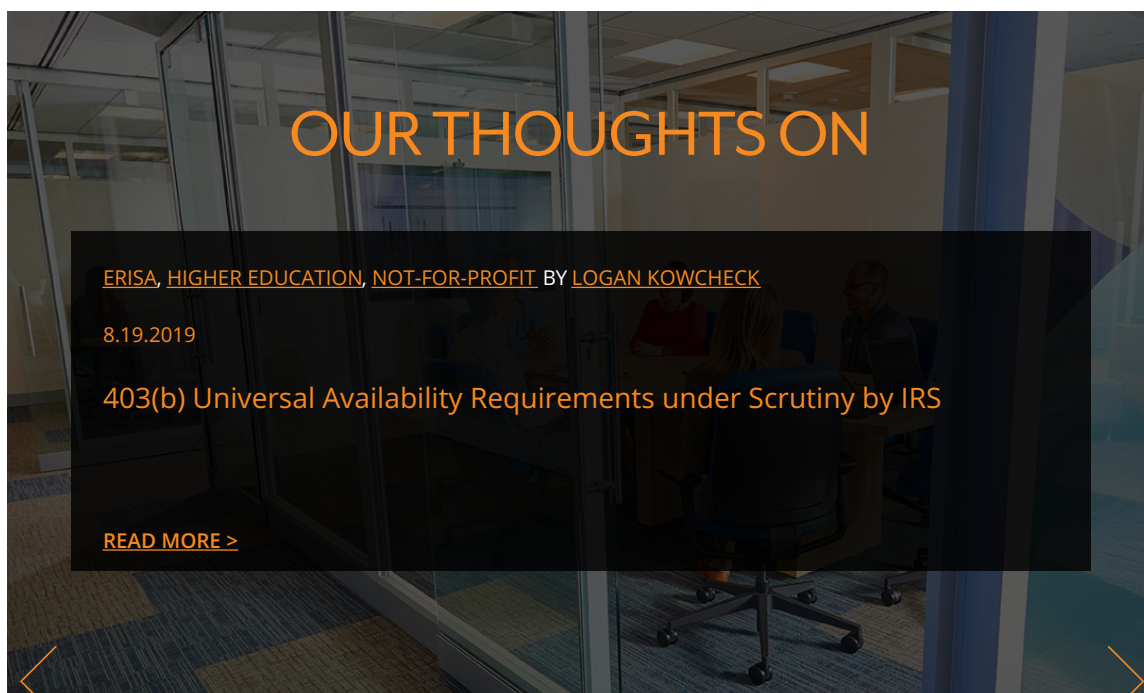


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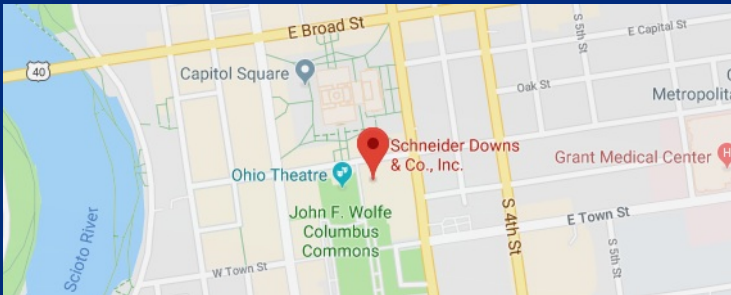


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