

Since 1963

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Save PA Business Taxes by Contributions for Education

Pennsylvania may award tax credits to business firms for contributions to scholarship organizations, educational improvement organizations, and pre-kindergarten scholarship organizations. Credits reduce taxes 100%, dollar for dollar! Make these charities happy. Interested? Read on.

The Education Improvement Tax Credit for K to 12 (EITC) and the Pre-Kindergarten Tax Credit (Pre-K) were enacted in 2003, and enhanced in 2008. Your business can substitute tax payments by contributions to certain organizations. You make your favorite charities happy and avoid paying taxes. Entities eligible to apply for the EITC are businesses authorized to do business in Pennsylvania that are subject to the following PA taxes: Corporate Net Income Tax, Capital Stock Tax, Franchise Tax, Bank and Trust Company Shares Tax, or Personal Income Tax of S Corporation shareholders and Partners in General or Limited Partnerships. To receive these tax credits, businesses must be approved in advance by the PA Dept. of Community & Economic Development to make contributions to Scholarship Organizations for K to 12 (SO), and/or Educational Improvement Organizations for K to 12 (EIO), and/or Pre-K Scholarship Organizations that are on the list of such organizations issued by the Department. See its web site at www.newPA.com/EITC.

A business may be approved for a tax credit equal to 75% of its contributions to the listed SO and EIO organizations, up to a maximum of \$300,000 per taxable year. The tax credit may be increased to 90% of the contributions made, up to a maximum of \$300,000 per taxable year, if the business agrees to provide the same amount of contribution for two consecutive years.

An eligible business that submits an application to the Department may receive a tax credit equal to 100% of the first \$10,000 it contributes to an approved Pre-K organization during the taxable year. It may receive a tax credit equal to 90% of any additional amount contributed during the taxable year, up to a maximum of \$150,000 of tax credits per taxable year. Applications for tax credits for program fiscal year 2008-09 (July 1, 2008 through June 30, 2009) were accepted beginning July 1, 2008. Upon approval, the application of tax credits may not exceed the tax liability of a business for the tax year in which the contribution was made. Any tax credit not used may *not* be carried forward or carried back, and is *not refundable* or transferable. Therefore, careful tax planning is required.

PA funded \$75 million for the 2008-09 program year, including \$44.7 million for scholarships, \$23.3 million for educational improvement programs, and \$8 million for Pre-K scholarships. Credits are approved in advance, first come, first serve until the funds are used up.

If you would like more information and advice, call Goodman & Company, CPAs, **610-253-2745**. We can prepare the applications for you.

William N. Goodman, CPA

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