

## **FAQ: Special Purpose Entity (SPE) and Education Tax Credits**

### **Q. What is a Special Purpose Entity (SPE) as it pertains to Pennsylvania Education Tax Credits?**

Special Purpose Entity is a new class of pass-through partnerships that exist solely for the purpose of obtaining Education Improvement Credits (EITC/OSTC).

### **Q. What does this mean for St. Anne School families?**

St. Anne School families and friends may be able to designate part of their Pennsylvania state tax liability for use by St. Anne School to provide enhanced financial assistance for qualifying families.

### **Q. With which Special Purpose Entity has St. Anne School chosen to work?**

St. Anne School is associating with the Central Pennsylvania Scholarship Fund and the special purpose entity Christian School Association of Greater Harrisburg Partnership.

### **Q. When was the Central Pennsylvania Scholarship Fund formed? When were related SPEs established?**

Randy Tarpey, a Certified Public Accountant, established the Central Pennsylvania Scholarship Fund on September 13, 2011. With the amendment to Article XVII-F of the Tax Reform Code through Act 194, effective October 31, 2014, the EITC/OSTC definition of “business firm” and “pass through entity” was expanded to allow for the use of credits on joint and personal income tax returns. As such, Randy established the Central Pennsylvania Special Purpose Entity on August 7, 2015.

### **Q. Why did Randy Tarpey create the Central Pennsylvania Scholarship Fund?**

With a passion to help more children in Pennsylvania receive a quality, private school education, Randy Tarpey established the Central Pennsylvania Scholarship Fund. This vehicle for giving allows individuals not qualified to receive credits directly from Pennsylvania an opportunity to receive the same tax benefit.

### **Q. Who can receive education credits through the SPE?**

The Special Purpose Entity, at present, offers membership to individuals/couples with a minimum PA tax liability of \$3500 annually.

### **Q. Who holds the brokerage account? Is it FDIC or otherwise insured?**

The Central Pennsylvania Scholarship Fund (CPSF) has bank accounts at local banks in Tyrone, PA which are FDIC insured.

### **Q. What/who provides the oversight of the LLC/SPE?**

Tami Clark is the Executive Director of CPSF and Randy Tarpey is the CPSF Board President. There are volunteers at Sickler, Tarpey and Associates, Randy’s accounting firm, that handle the preparation of the tax returns and distribution of the checks. His firm is audited annually by another, unconnected CPA firm. Annual reports are filed with the Pennsylvania Department of Commerce and Economic Development (DCED). The Central Pennsylvania Scholarship Fund is licensed with and reports to the Pennsylvania Department of State Charity Commission annually.

### **Q. If I participate in these tax credits, how much will it cost me?**

Upfront, during the fall months, you will need to make either a minimum donation of \$3500, or larger if you choose, up to the amount of your annual state taxes. You risk the chance of losing your credit if you choose

an amount over your tax liability. When you file your taxes in the spring you will receive a refund of 90% of your donation from Pennsylvania and a federal benefit based on your donation.

**Q. Do I need to earn a particular income to qualify?**

This is based on tax liability, not income, therefore each taxpayer's situation will differ. An individual or couple filing jointly must have a state tax liability of \$3500 or more to participate. To see if you may qualify for 2019, you can find your PA tax liability on Form PA-40 Line 12 of your most recent tax return.

**Q. Can these credits be used on both individual and joint income tax returns?**

Yes, you qualify if your individual or combined PA tax liability is \$3500 or more.

**Q. Where do I obtain an application/joiner?**

Applications are available by contacting [CentralPAScholarshipFund@gmail.com](mailto:CentralPAScholarshipFund@gmail.com) or at 814-942-4406.

**Q. When and where do I submit my application/joiner?**

Your application may be submitted at any time until December 1<sup>st</sup>, 2019. Tax credits will be distributed on a first come, first served basis until the tax credits which have been awarded to all SPE's by the Department of Community and Economic Development are depleted.

Fax your application to 814-684-1061,

Email your application to [CentralPAScholarshipFund@gmail.com](mailto:CentralPAScholarshipFund@gmail.com) or

Mail to: Central Pennsylvania Scholarship Fund

Attn: Tami Clark

227 Jefferson Ave.

Tyrone, PA 16686

**Q. Do I reapply each year to the SPE?**

Each year you are asked to reinvest. If you fail to do so, your membership is terminated.

**Q. How do I indicate the school that is to receive my contribution?**

On your application form, note school of your choice in the space designated for "Name of School", and indicate the tax credit amount for which you are applying in the place designated "Amount of Initial Capital Contribution".

**Q. When will I receive documents to file with my income taxes?**

Your Federal and State K-1 forms will arrive in February, 2020. The Federal K-1 will list your investment and Federal charitable contribution, which you deduct on Schedule A if you itemize. Your PA K-1 will list your 90% PA tax credit, which will go on Payment line 23 OC for Other Credit on your PA-40.

**Q. What percentage of my contribution goes to the school of my choice?**

100% of your contribution goes to the school of your choice for scholarship purposes. No portion of your donation is used for administrative purposes.