
Know the Facts About

The Educational Improvement Tax Credit (EITC)

What's the Educational Improvement Tax Credit?

The Educational Improvement Tax Credit (EITC), established in 2001, provides businesses with a tax credit for their donations to nonprofit scholarship or educational improvement organizations.

More than 30,000 children in Pennsylvania already benefit from EITC scholarships, and many more benefit from innovative educational programs funded through the EITC. More than 3,000 companies doing business in Pennsylvania have pledged several hundred million dollars to the programs since they began.

Why is this important to the Catholic Church?

The EITC provides incentives for businesses to contribute to scholarship organizations, which then provide scholarships to children. In essence, it gives parents the economic means to choose the learning environment they believe best meets the needs of their children, regardless of their family income.

Support for school choice can be found in *The Catechism of the Catholic Church*, which says,

“As those first responsible for the education of their children, parents have the right to choose a school for them which corresponds to their own convictions. This right is fundamental. As far as possible parents have the duty of choosing schools that will best help them in their task as Christian educators. Public authorities have the duty of guaranteeing this parental right and of ensuring the concrete conditions for its exercise.” (#2229)

Benefits for Businesses

Tax credits are not deductions. A tax credit is an actual reduction in the amount of tax a business will pay. In essence, a business can pay its taxes directly to the Commonwealth, or, by making a donation, substantially reduce its tax liability while helping families and building community good will.

To be eligible, a business must pay at least one of the following taxes: Corporate Net Income Tax; Capital Stock and Franchise Tax; Bank and Trust Company Shares Tax; Title Insurance Companies Shares Tax; Insurance Premiums Tax; or the Mutual Thrift Institutions Tax.

A onetime donation to a K-12 scholarship or educational improvement organization earns a company a 75% tax credit while a two-year commitment results in a 90% tax credit. A business can receive up to \$200,000 in tax credits annually. A business contributing to a pre-kindergarten scholarship organization receives a 100% tax credit for the first \$10,000 it contributes and a 90% tax credit thereafter. It may receive up to \$100,000 in tax credits annually.

To receive its tax credit, the business simply submits a one-page application to the Department of Community and Economic Development (DCED). Tax credits are awarded on a first-come, first-served basis. After approval by DCED, businesses must make their contribution(s) within 60 days. Tax credit dollars become available annually in July.

Benefits for Students and Their Families

Families may apply for scholarships, which are awarded according to the scholarship organization's criteria. Minimally, scholarships must go to students with annual household incomes of \$50,000 or less with an additional \$10,000 allowance for the student and each other dependent living in the same household.

In the case of Catholic schools, each diocese in Pennsylvania has its own scholarship organization. Additionally, there are scholarship organizations associated with other private or religious schools.

What You Can Do

The continuation and expansion of the EITC is dependent on the state legislature. If your family received a scholarship through the EITC, be sure to personally thank your state legislators for their support. If you own a business, consider contributing to an eligible organization.

Learn More: visit the REACH Foundation at www.paschoolchoice.org or call 877-REACH 24



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