

Dear Friend,

The EITC program has been vital in helping Torah Academy make tuition affordable. This letter is intended to provide some basic information and illustrations of how to participate in PA's Educational Improvement Tax Credit (EITC) to help direct your state tax dollars to help low/moderate income families have more school choice for their children. In our case, providing our children with an education that includes a Judaic curriculum is critically important for our community and allows us to prepare our children to be successful in their professional lives, while continuing to grow religiously and culturally as Jews.

As of a few years ago, the state has expanded this program to allow individuals to join a special purpose entity (SPE) whose sole purpose is to allow your tax liabilities to become eligible for these tax credit programs. Therefore, several community members, composed of CPA's and attorneys, created Jewish Scholarship LLCs to serve as the SPEs for this purpose.

How does the Tax Credit work?

As 100% of your allocation gets donated to a 501c3 entity for the purposes of providing scholarships, you receive a federal charitable tax deduction for your contribution. In addition, you also get a 90% tax credit towards your PA taxes for each of the 2 years. In certain circumstances, a taxpayer's tax benefit may even exceed the amount of his contribution. In other cases, the out of pocket costs would not exceed 6 cents on the dollar

How do I participate?

Participating donors are required to sign a member operating agreement with Jewish Scholarship LLC and commit to two years of contributions (same amount both years). These papers are generally signed in the summer/Fall when we receive the award letters from the state. We would then send you the membership agreement to sign and ask for you to forward the check. At this time, we are looking for verbal commitments for specific amounts so that the SPE can organize their applications to the state.

HOW MUCH DO I CONTRIBUTE?

In order to join these SPEs, participants must meet the requirement of \$200,000 of annual income or net worth of one million dollars exclusive of their home AND commit to a contribution of \$6,200 for two- Because the PA tax credit is 90% of EITC contributions, you should not contribute more than 111.11% (i.e., 1 divided by 0.90) of your expected annual PA income tax obligation if you want to maximize the benefit. The PA income tax rate is 3.07%, so if (for example) your expected PA taxable income is \$300,000 for both years, you would expect to owe PA income tax of \$9,210 for each year. Thus, in this example, an EITC contribution of \$10,233 (i.e., 111.11% of \$9210) in each year would totally wipe out your PA tax obligations for those years. Because most of your PA tax is withheld by your employer, you would need to file for a refund to recoup the withheld amounts, and you should expect that it will take at least until June to get that refund, even if you file your PA taxes early. In February of each year, the LLC will send you a K-1 form to include in your State and Federal tax returns.

You can find more information on the PA website that describes the EITC program
www.dced.pa.gov/programs/educational-improvement-tax-credit-program-eitc

There is also a detailed brochure that can be downloaded from the state at:

<http://www.dced.pa.gov/download/eitc-business-guidelines-2017/?wpdmdl=73147>

If you are interested in participating or have additional questions, please feel free to contact the Torah Academy business manager, Debbie Grad (dgrad@taphila.org) or the Board President, Nadav (nadavmd@hotmail.com). You can also contact the Stanley Goldis CPA at: sgoldis@citrincooperman.com, who has been involved with this program since its inception in 2001

Thank you!