



THE OPPORTUNITY SCHOLARSHIP TAX CREDIT (OSTC)

...A Great Way for Businesses to Direct Tax Dollars

The OSTC program is a way for the business community to get directly involved in education by providing scholarship money. The program enables companies in Pennsylvania to support local non-profits, like HPCA, at minimal cost, instead of sending their tax dollars to Harrisburg.

What are Opportunity Scholarship Tax Credits?

- A tax credit for businesses that make a donation to an Opportunity Scholarship organization(s). Opportunity Scholarship organizations will award scholarships to children stranded in failing schools across Pennsylvania to assist them in attending the schools of their choice, like HPCA. The tax credit is patterned after the very successful Educational Improvement Tax Credit (EITC) - which was fully subscribed.

What Families, Businesses, and Scholarship Organizations Qualify?

- Families with one child and a household income of \$60,000 or less qualify if they live in the attendance area of one of the bottom 15% of PA public schools, which includes the majority of our students. An income allowance of \$10,000 is allowed for each additional child and dependent member of the household.
- All businesses in Pennsylvania (except Sole Proprietorships) that pay business taxes on profits (including all tax "pass through" entities). Taxes include:
 - **Corporate Net Income Tax**
 - **Bank and Trust Company Shares Tax**
 - **Title Insurance Companies Shares Tax**
 - **Personal Income Tax** - Subchapter s-corporations and other "pass-through" entities will be able to use the credit against the shareholder, member or partners' PA personal income
 - **Mutual Thrift Institutions Tax**
 - **Insurance Premiums Tax**
 - **Capital Stock and Franchise Tax**
- Opportunity Scholarship Organizations must be a non-profit, IRS recognized 501(c)(3) and distribute at least 80% of their annual receipts to eligible students for scholarships. The Opportunity Scholarship Organization must also register with the Department of Community and Economic Development (DCED) by showing proof of its 501(c)(3) status. HPCA uses Children's Jubilee Fund as our Opportunity Scholarship Organization. You can view their website at www.jubileefund.org.

How Would They Work?

- Businesses would apply to DCED for the tax credit. The amount of the tax credit available for businesses under this program is set on July 1 of each year and is currently \$50,000,000.
- Businesses then must make their contribution to a "listed" organization, such as Children's Jubilee Fund, within 60 days of approval from DCED.
- The tax credit is a 75% credit (against taxes owed). However, if a business provides a written two-year commitment of equal funding, the tax credit becomes 90% (existing deductions still apply, increasing the tax benefit). No business entity may take more than \$400,000 in tax credits per year.
- Each scholarship organization may establish rules and guidelines for eligibility, in addition, but not in conflict to ones already established by law.

For more information about OSTC, please feel free to contact Jen Deane at 215-324-9180 or jen@hpcaphilly.org, or simply return the enclosed response card and check off that you would like more information about OSTC. You can also find most general information on the OSTC program on the state website: www.newpa.com.