



HUNTING PARK CHRISTIAN ACADEMY

Central Pennsylvania Scholarship Fund FAQ

What is a Special Purpose Entity (SPE) as it pertains to Pennsylvania education tax credits?

An SPE is a pass-through partnership that exists solely for the purpose of earning Educational Improvement (or Opportunity Scholarship) Tax credits. The Central Pennsylvania Scholarship Fund (CPSF) is a non-profit that administers various SPEs at no cost to the school.

Who qualifies to participate as a donor?

Any individual or corporation who pays PA income tax is eligible. There are options to individuals who work for non-profits and retirees. CPSF works as an intermediary, providing individuals and companies who would ordinarily have trouble giving to OSTC and EITC because of their structure another option to utilize these worthwhile programs. The minimum donation to join is \$3,500.

What does this mean for supporters and families of Hunting Park Christian Academy? Why donate through an SPE instead of just donating scholarship funds directly to HPCA?

When donors give through the SPE, they will receive a 90% state tax credit for their donation. So a donation of \$10,000 will result in a \$9,000 state tax credit! But, HPCA still receives the full \$10,000 and it only costs you \$1,000. The 10% that cannot be used as a state credit can be used as a charitable donation deduction on your federal tax return.

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.

Why did Randy Tarpey create the Central Pennsylvania Scholarship Fund?

With a passion to help more children in Pennsylvania receive a quality, Christian 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.

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 \$3,500 annually (shown on line 12 of your PA-40).

How long after I purchase the credits until HPCA receives my donation?

Within 60 days following the receipt of the SPE's approval letter from the Commonwealth of Pennsylvania and upon completion of member payment, the SPE will make payment to Hunting Park Christian Academy in an amount equal to the credits awarded.

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, Pennsylvania which are FDIC insured.

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 employees at Sickler Tarpey & Associates, Randy's accounting firm, that handle the preparation of the tax returns and the distribution of the checks. The charity 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. The SPE is overseen by the Pennsylvania Department of Banking and are part of the outside audit published annually.

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 \$3,500, or larger, if you choose, up to the amount of your annual state taxes. You risk the chance of losing a portion of your EITC tax 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.

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 \$3,500 or more to participate. To see if you may qualify, you can find your PA tax liability on Form PA-40 Line 12 of your most recent tax return.

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 \$3,500 or more.

Do I have to be employed by a for-profit business? What if I work for a business but my spouse works for a non-profit?

One member of the family must be employed by or own a for-profit business. If one works for a business and the other a non-profit, and you file joint returns, both qualify for the purposes of determining tax liability. However, there is a new ruling from the state that allows members to use the EITC credit as long as they own stock in a PA company (or a company that is publicly traded and does business in PA). *Please contact us if you would like more information on this option.*

Can I participate if I am retired?

If you are retired, you must own a small business (receive an annual K-1 form) or work for a business (receive an annual W-2 form) to qualify as a member of an SPE and receive EITC/OSTC tax credits.

How do I decide the amount to contribute?

If your income is consistent, use the amount from your most recently-filed PA-40 Line 12. Please consult your financial professional for advice on this matter.

Where do I obtain an application?

Applications are available by email at jen@hpcaphilly.org or 267-331-8002.

When and where do I submit my application?

Your application may be submitted at any time during the remainder of this year, until December 31. Tax credits will be distributed on a first-come, first-served basis until the funds which have been awarded to all SPEs by the Department of Community and Economic Development are depleted.

- Email: tami@cpsfcharity.org
- Mail: Central Pennsylvania Scholarship Fund
Attn: Tami Clark
227 Jefferson Ave.
Tyrone, PA 16686
- Fax: (814) 684-1061

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.

How do I indicate that Hunting Park Christian Academy is to receive my contribution?

On your application form, note Hunting Park Christian Academy in the space designated for Name of School, and indicate the tax credit amount for which you are applying in the place designated Amount \$. HPCA will receive 100% of the amount you designate for them.

What should I do after I receive application approval from CPSF?

Once you receive notification of approval, write and mail your contribution check as soon as possible (if you did not include your check with your application). It is important to note that if the total amount of tax credits received by CPSF are distributed to other partners by the time your check is received, your check may be returned. Therefore, the sooner you are able to send your check, the more likely you are of being granted your tax credit.

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

Your Federal and State K-1 forms will arrive in February, in the year following your donation. The Federal K-1 will list your investment and Federal charitable contribution, which you can 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.

What percentage of my contribution goes to Hunting Park Christian Academy?

100% of your contribution goes to Hunting Park Christian Academy's scholarship program. No portion of your donation is used for administrative purposes.

**This is not tax advice. Consult a tax or financial professional for how this applies to you.*