



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

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

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

Q. What does this mean for families and supporters?

Applicants are able to designate part of their Pennsylvania state tax liability for use by Catholic schools including Bishop McCort Catholic High School to enhance financial assistance for qualifying families.

Q. What Special Purpose Entity has Bishop McCort Catholic High School chosen to associate with?

The Bishop McCort Catholic High School is partnering with the Central Pennsylvania Scholarship Fund (a Pennsylvania approved scholarship organization) to garner several special purpose entities (available tax credits) that are available throughout the Commonwealth.

Q. When was the Central Pennsylvania Scholarship Fund (CPSF) formed? When were related SPEs established?

Randy Tarpey 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 has established several Special Purpose Entities and will continue to do so as the credits are released.

Q. Who is Randy Tarpey?

Randy Tarpey has been a CPA, License Number CA032075R, since 1993. His firm has several locations in Central Pennsylvania. Active in both his profession and the community, Randy gives freely of his time to the CPSF.

Q. 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 and other legal entities not qualified to receive credits directly from Pennsylvania an opportunity to receive the same tax benefit. Bishop McCort Catholic High School works in partnership with the Central Pennsylvania Scholarship Fund to award scholarships to its students.

Q. Who can receive education credits through the SPE?

Individuals and legal entities – not limited to partners or shareholders – can earn tax credits through SPEs. Large partnerships can also form subsidiary partnerships of only members with PA tax liability.

Q. How long after I purchase credits until the school 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 Bishop McCort Catholic High School in an amount equal to the credits awarded.

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

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

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

Randy Tarpey is the SPE and CPSF leader, and his bonded CPA firm employees handle all funds. 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 \$3,500, 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 \$3,500 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 I use these credits on both individual and joint income tax returns?

Yes, you qualify if your individual or combined PA tax liability is \$3,500 or more.

Q. 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.

Q. 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. Some retirees qualify due to side jobs or residual ownership of businesses and some do not.

Q. Why must I commit to two years? Can I increase or decrease my tax credit donation amount the second year?

The Special Purpose Entity requires a two-year commitment of at least \$3,500 per year in order that its members receive a 90% tax credit. If unexpected circumstances occur that dictate your second year donation must be reduced from your original commitment, such as loss of job or reduction in tax liability, please contact the SPE. You may increase your donation in the second year up to the amount of your PA tax liability.

Q. How do I decide the amount to contribute in 2019 if I do not know my tax liability for 2019?

If your income is consistent, use the amount from 2018 PA-40 Line 12. Please consult your financial professional for advice on this matter.

Q. Where do I obtain an application/joinder agreement?

The joinder agreement is a one-page document that entitles a donor to join the SPE and indicates the donor's name, address, social security number, and contact information. The donor selects a donation amount and the school to receive the donation for that school's students. The joinder agreement is available from the Bishop McCort Catholic High School Advancement Office by email: trepak@mccort.org or by calling 814.248.3876.

Q. When and where do I submit my application/joinder agreement?

You may submit your application at any time during the remainder of 2019, until December 1. Tax credits will be distributed on a **first come first served basis** until the funds, which have been awarded to a Special Purpose Entity by the Department of Community and Economic Development are depleted. You can email your application to CentralPAScholarshipFund@gmail.com. You may also fax your application to [814.684.1061](tel:814.684.1061).

Q. Do I reapply each year?

Each year CPSF will ask you to reinvest. If you fail to do so, your membership is terminated. In June or July, CPSF will send you your next year preprinted joinder reservation form. You are guaranteed as an existing donor the same tax credit donation amount in your existing SPE. If there is no incorrect donation information on the form and your donation will stay the same, you need to do nothing. Your next year's tax credit donation reservation is confirmed. In the event changes need to be made, just modify the agreement and return to CPSF in Tyrone, PA.

Q. How do I indicate that Bishop McCort Catholic High School should receive my contribution?

On your application form, note “Bishop McCort Catholic High School” in the space designated for Name of School, and indicate the tax credit amount for which you are applying in the place designated dollar amount.

Q. What should I do after I receive application approval from the SPE?

Once you receive notification of approval from the SPE, write and mail your contribution check immediately. It is important to note that if the total amount of tax credits received by the SPE 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 to be granted your tax credit.

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

Your Federal and State K-1 forms will arrive the first week of 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 SPE and Scholarship Fund for administrative purposes?

100% of your contribution goes to the Catholic School you designate, Bishop McCort Catholic High School. No portion of your donation is used for administrative purposes.

Q. How can I be assured that my contribution is given to school that I designate.

You will receive an acknowledgement letter from the Bishop McCort Catholic High School Development Office indicating your designation.

Q. When the school receives my contribution, how will it be used?

Your contribution is strictly used for the school’s financial assistance program, distributed to need based families who make application through FACTS (financial assistance program). The EITC and OSTC tax credits were created by the legislature for the purpose of providing tuition assistance in the form of scholarships for eligible students.

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

Please contact us with any questions:

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