

ACSI Children's Tuition Fund

Understanding the EITC Program
from a Business Perspective

Understanding Business Entity Choices

- C-Corporation
- S-Corporation
- Limited Liability Companies
- Partnerships
- Sole Proprietors
- NEW as of July 2008

Subchapter S Corporations and other “pass-through” business entities will be able to use the EITC credit against personal income taxes from the PA business income of the “pass-through” entity. For the 2008-09 state fiscal year the EITC program has now expanded the eligibility of the program to include: Subchapter S Corporations, LLC’s, LP’s and Partnerships.

Taxes based on Entity Type

- The table below indicates which taxes are applicable by entity type.

Entity Type	Federal Taxes		Pennsylvania Taxes			Local Tax
	Corporate	Personal	Corporate Net	Capital Stock &	Personal	Personal
	Income Tax	Income Tax	Income Tax (CNI)	Franchise Tax (CS/F)	Income Tax	Income Tax
Corporation	X		X	X		
S-Corporation		X		X	X	
Multi Member LLC (Partnership)		X		X	X	X
Single Member LLC (Sole Prop)		X		X	X	X
Partnerships		X			X	X
Sole Proprietors		X			X	X
Tax Rate	15% - 39%	10%-35%	9.99%	4.89 mills	3.07	Varies
Tax Base	Net Income	Net Income	Net Income	Capital Stock	Net Income	Net Income

Other PA Business Taxes

- In addition, specific types of businesses such as banks, insurance companies, savings and loans, etc. are subject to additional PA taxes that the EITC credit can be used against.
- These taxes include:
 - Bank and Trust Company Shares Tax
 - Title Insurance Companies Shares Tax
 - Insurance Premiums Tax
 - Mutual Thrift Institutions Tax

Sample PA Capital Stock Tax

HISTORY OF EARNINGS		MMDDYY	MMDDYY	BOOK INCOME
Oldest Period - Start Here		1/1/2002	12/31/2002	500,000
		1/1/2003	12/31/2003	450,000
		1/1/2004	12/31/2004	525,000
		1/1/2005	12/31/2005	750,000
1	Current Tax Period Book Income (Loss)	1/1/2006	12/31/2006	220,000
2	Total Book Income			2,445,000
3	Divisor			5.00000
4	Divide Line (2) by Line (3)			489,000
5	AVERAGE BOOK INCOME - Enter line (4) or if Line (4)			489,000
6	Divide Line (5) by .095			5,147,368
7	Sum of capital stock, paid-in capital and r.e. at end of current period			1,720,000
8	Sum of capital stock, paid-in capital and r.e. at beginning of current period			1,500,000
9	If Line (7) is more than twice as great or less than half as much as Line (8),			1,720,000
10	NET WORTH			1,720,000
11	Multiply line (10) by 0.75			1,290,000
12	Add line (6) and (11)			6,437,368
13	Divide line (12) by 2			3,218,684
14	\$125,000 valuation deduction			125,000
15	CAPITAL STOCK VALUE -			3,093,684
16	Proportion of taxable assets			1.000000
17	TAXABLE VALUE -			3,093,684
18	CAPITAL STOCK/FOREIGN FRANCHISE TAX - .4899%			15,128

C vs. S Comparison Tax Calculation

		C-Corporation		S-Corporation	
		<u>No Contribution</u>	<u>90% EITC</u>	<u>No Contribution</u>	<u>90% EITC</u>
1	Net Income Before Contribution and Tax	\$ 220,000	\$ 220,000	\$ 220,000	\$ 220,000
2	EITC Contribution	\$ -	\$ 10,000	\$ -	\$ 10,000
3	Federal Taxable Income Before PA CNI Tax	\$ 220,000	\$ 210,000	\$ 220,000	\$ 210,000
4	PA CNI Tax @ 9.99% / PA Personal Tax 3.07%	\$ 21,978	\$ 20,979	\$ 6,754	\$ 6,447
5	Federal Income After PA CNI Tax	\$ 198,022	\$ 189,021	\$ 220,000	\$ 210,000
6	PA CNI Tax Savings / PA Personal Tax Savings (After Deduction for Contribution)	\$ -	\$ 999	\$ -	\$ 307
7	EITC (PA Capital Stock Tax Reduction)	\$ -	\$ -	\$ -	\$ 9,000
8	EITC (PA CNI Tax Savings)	\$ -	\$ 9,000	\$ -	\$ -
9	PA Tax Savings - Total	<u>\$ -</u>	<u>\$ 9,999</u>	<u>\$ -</u>	<u>\$ 9,307</u>
10	Federal Taxable Income	\$ 198,022	\$ 198,021	\$ 220,000	\$ 219,000
11	Fed Corp Tax / Fed. Personal Tax in 35% bracket	\$ 60,479	\$ 60,478	\$ 77,000	\$ 76,650
12	Federal Tax Savings	\$ -	\$ 1	\$ -	\$ 350
13	PA Tax Savings - Total		\$ 9,999		\$ 9,307
14	Federal Tax Savings		<u>\$ 1</u>		<u>\$ 350</u>
15	Total Tax Savings		<u>\$ 10,000</u>		<u>\$ 9,657</u>
16	Annual Cash Required to Contribute \$10,000		\$ -		\$ 343

EITC Process

- The Business makes application to DCED.
- Business then receives a letter of approval from DCED for participation, detailing deadline for date of contribution and date of proof.
- Business submits contribution to the ACSI CTF within sixty days of the date of the approval letter.
- Acknowledgement of contribution is provided to business from ACSI CTF.
- Business submits acknowledgement (proof) to DCED.
- DCED communicates to PA Dept. of Revenue and applicable credit is applied to business tax account with notice provided to business.
- Credit is applied as if paid at beginning of tax year.
- Amount of credit is taken as a payment of taxes on businesses annual tax return filing.

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“How the region’s High Schools fared on the SAT”

February 25, 2007

1	RTCS (Robinson Twp Christian School)	1970	12	St. Joseph (Catholic)	1660
2	Aquinas Academy (Catholic)	1948	13	Central Catholic	1641
3	Hillel Academy	1880	14	Hampton	1641
4	Eden Christian Academy	1790	15	Quaker Valley	1638
5	Mt. Lebanon	1741	16	Allderdice (Pittsburgh)	1632
6	Vincentian Academy (Catholic)	1737	17	Oakland Catholic	1618
7	Upper St. Clair	1724	18	Bishop Canevin (Catholic)	1605
8	Trinity Christian	1700	19	Wilson Christian Academy	1600
9	Oakland School	1697	20	Pine-Richland	1589
10	North Allegheny	1676	21	Avonworth	1588
11	Fox Chapel Area	1669	22	Moon Area	1578

Average score of students within each school who took the SAT
Top/Perfect Score = 2400