



## SPECIAL PURPOSE ENTITIES SCHOLARSHIPS

Central Pennsylvania Scholarship Fund *Randy Tarpey, CPA – CPSF Leader*

*EITC Educational Improvement Tax Credits*

### **FAQ: 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 (SPE) is a new class of pass-through partnerships that exists solely for the purpose of obtaining Education Improvement Credits/Opportunity Scholarship Tax Credits (EITC/OSTC).

#### **Q. What does this mean for Lancaster Mennonite School families and supporters?**

Lancaster Mennonite families and friends may be able to designate part of their Pennsylvania state tax liability for use by Lancaster Mennonite to enhance financial assistance for qualifying families.

#### **Q. What Special Purpose Entity has Lancaster Mennonite School chosen to associate with?**

Lancaster Mennonite is associating with the Central Pennsylvania Scholarship Fund (a Pennsylvania approved scholarship organization) and the special purpose entity Christian School Association of Greater Harrisburg Partnership.

#### **Q. When was the Central Pennsylvania Scholarship Fund 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 established the Central Pennsylvania Special Purpose Entity on August 7, 2015, Entity number 6275436; the Central Pennsylvania Special Purpose Entity 2 LLC on December 19, 2016, Entity number 6488599; and Central PA AMT Partners on January 23, 2017, Entity number 6503274. Please visit

<https://www.corporations.pa.gov/search/corpsearch> for further information.

#### **Q. Who is Randy Tarpey and why did LM decide to work with him?**

Randy Tarpey has been a Certified Professional Accountant, 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 Central Pennsylvania Scholarship Fund.

#### **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.

#### **Q. Who can receive education credits through the SPE?**

The Common Place Scholarship #1 LLC Special Purpose Entity at present offers membership to individuals/couples with a minimum PA tax liability of \$3500 annually.

**Q. How long after I purchase credits will it take for Lancaster Mennonite 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 Lancaster Mennonite School in an amount equal to the credit awarded.

**Q. 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.

**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 (Randy does not handle donations). 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, 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. 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 \$3500 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 these credits be used on both individual and joint income tax returns?**

Yes, you qualify if your individual or combined PA tax liability is \$3500 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 Common Place Scholarship #1 LLC 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, (the State awards a 75% tax credit when you commit for only one year, or a 90% tax credit when you commit to two consecutive years). 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?**

Applications are available from the Lancaster Mennonite office or by email at [stoltzfushe@lancastermennonite.org](mailto:stoltzfushe@lancastermennonite.org)  
Phone: (717) 740-2425.

**Q. When and where do I submit my application?**

Your application may be submitted at any time during the remainder of 2019, until December 31. Tax credits will be distributed on a first come, first serve basis until the funds, which have been awarded to Common Place Scholarship #1 LLC by the Department of Community and Economic Development, are depleted, so we encourage applications to be submitted by August 31, 2019. For federal purposes 10% of the donation/investment in the SPE is a charitable contribution deductible on your federal itemized deductions (Schedule A). Every donor incurs an upfront cost to make the donation. To calculate your specific benefit from the federal donation portion of this program you will need to calculate the value of your donation for federal purposes based on your regular or Alternative Minimum Tax (AMT) tax rate.

You may drop off your completed Joinder application at Lancaster Mennonite School (Attn: SPE Tax Credits/Heidi Stoltzfus) or mail to: Mr. Randy Tarpey, Children's Jubilee Scholarship #1 LLC, 227 Jefferson Avenue, Tyrone, PA 16686.

**Q. Do I reapply each year to Common Place Scholarship #1 LLC?**

Each year you are asked to reinvest. If you fail to do so, your membership is terminated.

**Q. How do I indicate that Lancaster Mennonite School is to receive my contribution?**

On your application form note Lancaster Mennonite School in the space designated for Name of School, and indicate the tax credit amount for which you are applying in the place designated Amount \$.

**Q. Can I include my contribution check at the same time I submit my application? To whom do I write my contribution check?**

You may include your contribution check with your application. Your check will be held by the SPE until 60 days after the tax credit award letter from DCED arrives. Normally the award letter arrives in early September; therefore, 60 days usually occurs in November.

Your check should be written to Common Place Scholarship #1 LLC. Please note Lancaster Mennonite School on the memo line of your check.

**Q. What should I do after I receive application approval from Common Place Scholarship #1 LLC?**

Once you receive notification of approval from Common Place Scholarship #1 LLC, write and mail your contribution check no later than December 31, 2019 (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 Common Place Scholarship #1 LLC 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.

**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 Central PA Scholarship Fund (CPSF) for administrative purposes?**

100% of your contribution goes to Lancaster Mennonite School's financial assistance program. No portion of your donation is used for administrative purposes. Christian School Association of Greater Harrisburg Partnership and CPSF are volunteer organizations.

**Q. How can I be assured that my contribution is given to Lancaster Mennonite School?**

You will receive a letter from Lancaster Mennonite indicating your donation has been received.

**Q. When Lancaster Mennonite School receives my contribution, what is it used for?**

Your contribution is strictly used for Lancaster Mennonite School's financial assistance program, distributed to need based families who make application through Lancaster Mennonite's financial assistance process. 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.