



FAQ: Special Purpose Entities (SPE) and Education Improvement 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 the purpose of allowing individual taxpayers to participate in Education Improvement Tax Credit (EITC/OSTC) programs.

Q. What does this mean for A Step Up Academy's families and supporters?

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

Q. What Special Purpose Entity has A Step Up Academy chosen to associate with?

A Step Up Academy is associated with the Central Pennsylvania Scholarship Fund ("CPSF"), a Pennsylvania approved scholarship organization which administers a variety of Special Purpose Entities. The CPSF assigns donors to whichever SPE currently has credits available.

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

Randy Tarpey established the CPSF 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 definitions of "business firm" and "pass-through entity" were 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?

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 CPSF and its SPEs.

Q. Why did Randy Tarpey create the Central Pennsylvania Scholarship Fund?

With a passion to help more children in Pennsylvania receive a quality education, Randy Tarpey established the CPSF. 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 EITC/OSTC credits through an SPE?

The CPSF's Special Purpose Entities offer membership to individuals/couples with a minimum PA tax liability of \$3500 annually.

Q. How long after I purchase credits until A Step Up Academy 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 A Step Up Academy in an amount equal to the credits awarded.

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

The 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 unrelated CPA firm. Annual reports are filed with the Pennsylvania Department of Commerce and Economic Development (DCED). The CPSF 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, generally during the fall months, you will need to make a contribution to the SPE. When you file your taxes, generally in the spring, you will receive a refund of 90% of your contribution from Pennsylvania and a federal charitable deduction equal to 10% of your contribution.

Q. Do I need to earn a particular income to qualify?

This program 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. You do NOT need to be an accredited investor to participate in the CPSF's SPEs.



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

Pennsylvania awards a 75% tax credit when you commit for only one year or a 90% tax credit when you commit to two consecutive years. The CPSF's SPEs require a two year commitment of at least \$3500 per year so 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 CPSF. 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 this year if I don't know my tax liability for next year?

If your income is consistent, use the amount from last year's 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 Trish Corvo, Director of Development and Advancement at trish@astepupacademy.org or 215-885-1075.

Q. When and where do I submit my application?

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

Q. Do I reapply each year to the CPSF's SPEs?

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

Q. How do I indicate that A Step Up Academy is to receive my contribution?

On your application form note A Step Up Academy in the space designated for Name of School and indicate the tax credit amount for which you are applying in the place designated on the form.



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 the legal name of the SPE to which you are contributing. Please note A Step Up Academy on the memo line of your check.

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

Once you receive notification of approval, write and mail your contribution check no later than December 31 (if you did not include your check with your application). 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 generally arrive the first week of February. 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/or CPSF for administrative purposes?

None! 100% of your contribution goes to A Step Up Academy's Scholarships Fund. No portion of your donation is used for administrative purposes. CPSF and all of its SPEs are volunteer organizations.

Q. How can I be assured that my contribution is given to A Step Up Academy?

You will receive a letter from A Step Up Academy indicating your donation has been received.

Q. When A Step up Academy receives my contribution, what is it used for?

Your contribution is strictly used for ASUA's Scholarship Fund. 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. Please consult a tax or financial professional for how this applies to you. You may send your completed application to Trish Corvo at A Step Up Academy (trish@astepupacademy.org) or mail to: Ms. Tami Clark at CPSG, 227 Jefferson Avenue Tyrone, PA 16686, tami@cpsfcharity.org or PH (814) 942-4406*