

## FAQs: Special Purpose Entity (SPE)

### **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 obtaining Educational Improvement Tax Credits (EITC).

### **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 in the Altoona-Johnstown Diocese to enhance financial assistance for qualifying families.

### **Q. What Special Purpose Entity has the Diocese chosen to associate with?**

The Altoona-Johnstown Diocese's Second Century Scholarship Fund is working 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. The scholarship fund was created by Randy Tarpey, CPA, of Sickler, Tarpey and Associates of Tyrone, PA. **The Diocese's only role is to administer the scholarships to students. 100% of your contribution will directly benefit the Diocese's Catholic schools.**

### **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 Central Pennsylvania Scholarship Fund.

### **Q. Why did Randy Tarpey establish 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. 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 has established several Special Purpose Entities and will continue to do so as the credits are released.

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

The Special Purpose Entity offers membership to individuals/couples and businesses with a minimum PA tax liability of \$3,500 annually.

### **Q. How long after I purchase credits until schools 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 directly to Diocesan schools (that are designated by you) 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 (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 handles 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?**

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 there 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 2018, 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 \$3,500 or more.

**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 \$3500 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 2018 if I don't know my tax liability for 2018?**

If your income is consistent, use the amount from 2017 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 Central Pennsylvania Scholarship Fund or from the Diocese (see contact info below).

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

Your application may be submitted at any time during the remainder of 2018, until December 31. **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.** For federal purposes 100% 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. The benefit range from 3% to 26% depending on your personal tax situation. You may also fax your application to (814) 696-9516.

**Q. Do I reapply each year?**

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

**Q. How do I indicate what school(s) will receive my contribution?**

On your joinder (application form) note 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. Your check should be written to the SPE that is indicated on the application.

**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 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 in early February 2019. 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 Schools you designate. No portion of your donation is used for administrative purposes.

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

You will receive an acknowledgement letter from the Central Pennsylvania Scholarship Fund.

**Q. When the schools receives my contribution, what is it used for?**

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 mail your completed joinder to reserve credits (with or without a check) to either:

Pam Seasoltz  
Director of Development  
Office of Stewardship & Development  
Diocese of Altoona-Johnstown  
925 S. Logan Boulevard  
Hollidaysburg, PA 16648  
(814) 695-5577, Ext. 2686  
[pseasoltz@dioceseaj.org](mailto:pseasoltz@dioceseaj.org)

Randy Tarpey, CPA  
Central Pennsylvania Scholarship Fund  
227 Jefferson Avenue  
Tyrone, PA 16686  
(814) 684-4640  
[randytarpey@hksickler.com](mailto:randytarpey@hksickler.com)