

SPECIAL PURPOSE ENTITY (SPE) Facts

Recently, Pennsylvania allowed for a new kind of business partnership, a Special Purpose Entity (SPE). SPEs are opportunities that allow businesses and individuals to redirect PA tax dollars to an approved scholarship organization.

What is a Special Purpose Entity?

A Special Purpose Entity or SPE is a new class of pass-through partnership that exists solely for the purpose of earning Educational Tax Credits (EITC) or Opportunity Scholarship Tax Credits (OSTC). It is easy to get tax credits by simply joining an SPE by signing a joinder agreement, which reserves your tax credits for the year. You complete the process by investing with the SPE after the SPE receives their award letter from the State. These contributions need to be made within a relatively short window of time (generally 60 days) from the SPE notice.

SPE's allow a new group of individual donors to participate and receive EITC/OSTC tax credits along with an alternative way for business owners to receive individual EITC/OSTC tax credits. These EITC/OSTC tax credits can offset an individual's joint or single PA tax liability allowing the individual to redirect their personal PA taxes to Dayspring Christian Academy as tuition scholarships.

The Special Purpose Entity SPEs comprised of multiple investors would make a donation to Dayspring Christian Academy's Scholarship Organization. Once the contribution is received Dayspring's scholarship committee will award scholarships to families to assist their children in attending Dayspring Christian Academy.

How much PA Tax Credit may a business owners OR individual receive?

- One of the unique requirements of the SPE is that you agree to participate for a two year window. Therefore, you would receive a 90% tax credit for each of the two years.
- If the SPE happens to have an open position from a prior tax credit award, it is possible that you could receive a 90% credit for a single year commitment.

In what year does the tax credit apply to the PA taxes of the business owners OR individual?

- The year the business or individual sends the check to the Special Purpose Entity (SPE) is the tax year in which the tax credit will be applied.

How does a business owner or individual participate?

- Complete a joinder agreement provided by the Special Purpose Entity. This reserves your participation with the SPE.
- Once the SPE is awarded tax credits by the State, write the check to the SPE within a few days.
- SPE will send investors a K1 by March 15th

Contact Dayspring Christian Academy if you are interested in learning more on how you can participate in a Special Purpose Entity (SPE) while supporting Dayspring Christian Academy