



COVENANT

CHRISTIAN ACADEMY

FAQ: Central Pennsylvania Scholarship Fund (CPSF) for 2019*

Special Purpose Entity (SPE) and Education Tax Credits (EITC / OSTC)

CPSF Manager: Randy Tarpey, CPA (RandyTarpey@gmail.com), PH (814) 942-4406)

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 Education Improvement Credits (EITC/OSTC)*.

Q. What does this mean for Covenant Christian Academy families and supporters?

Covenant families and benefactors may join an SPE in order to receive a 90% Pennsylvania state tax credit on a contribution of \$3500 or more to the SPE. 100% of this donation will be directed to Covenant (or whatever school a donor designates) to fund tuition scholarships for students from qualifying families.

Q. What Special Purpose Entities has Covenant chosen to associate with?

Covenant is associating with the *Central Pennsylvania Scholarship Fund (CPSF)*, a PA approved scholarship organization formed and managed by Randy Tarpey, CPA. The CPSF uses several different SPEs to seek to distribute as many scholarship dollars as possible. New participants in 2019 will use the *HeHaller LLC Partnership* and returning participants should remain in the same SPE that they previously joined.

Q. Are there any differences in procedure or limits between different joinders? (for example, HeHaller vs Children's Jubilee Scholarship #1 LLC)

There is no difference between these various Special Purpose Entities in terms of procedure, regulation or limits. New participants will need to join the HeHaller LLC, as previous Special Purpose Entities do not have any additional credits available beyond the ones reserved for previous donors.

Q. When was the CPSF formed? When were related SPEs established?

Randy Tarpey established the Central Pennsylvania Scholarship Fund (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 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?

Randy Tarpey has been a Certified Professional Accountant, License Number CA032075R, since 1993. His firm, *Sickler, Tarpey & Associates*, has two locations in Central Pennsylvania. Mr. Tarpey gives freely of his time to manage the CPSF.

Q. Why did Randy Tarpey create the CPSF?

Mr. Tarpey established the CPSF out of a desire to help more children in Pennsylvania receive a quality, Christian education. This vehicle allows individuals and other legal entities to receive the same tax benefit that had previously only been available to certain businesses.

Q. Who can receive education credits through the SPE?

At present, these SPEs offer membership to individuals/couples with a minimum PA tax liability of \$3500.

Q. How long after I purchase credits until Covenant 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 Covenant 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 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 annually to the Pennsylvania Department of State Charity Commission.

Q. If I participate in these tax credits, how much will it cost me?

Upfront, during the fall months, you will need to make a minimum donation of \$3500, 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 charitable benefit based on any amount of your donation that was above your state tax liability.*

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 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 \$3,500 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.

In 2018 Pennsylvania begin allowing people to join an SPE if they own stock in a Pennsylvania company. The letter ruling they issued referenced PPL which has a direct purchase program for their stock. *Owning a share of a public company that is registered in Pennsylvania will qualify you to be in a SPE.*

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 2 years? Can I increase or decrease my tax credit donation the second year?

An SPE requires a two year commitment of at least \$3500 per year in order for its members to 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 manager. You may be able to 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 don't yet know my tax liability for 2019?

If your income is consistent, you should be able to use the amount from 2018 PA-40 Line 12.*



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Q. How do I participate if I pay quarterly taxes?

In your initial year the timing of your SPE contribution will likely only impact your fourth quarter payment. In subsequent years, you can adjust your quarterly payments based on your SPE participation amount. *Please consult your tax professional for advice on this matter.*

Q. Where do I obtain an application?

Applications are available from Covenant's Development office or by email at peggy.frantz@discovercovenant.com; (717) 540-9885 ext. 232

Q. When and where do I submit my application?

Your joinder application should be submitted as soon as possible to give you the best chance of participating. Tax credits will be distributed on a first come first served basis until the funds which have been awarded to CPSF by the *Department of Community and Economic Development* are depleted. Please submit your completed Joinder to **Covenant Christian Academy, 1982 Locust Lane, Harrisburg, PA 17109 ATTN: PEGGY FRANTZ / SPE**. Covenant will FedEx all returned joinders to CPSF / Randy Tarpey each week. Sending the forms to Covenant, rather than directly to CPSF, helps us to ensure that every one of our new participants stands out among the many joinders and checks that CPSF receives.

Q. Do I reapply each year to the same SPE I joined originally?

Each year you will be asked to reinvest in the same SPE you originally joined. If you fail to do so, your membership is terminated.

Q. How do I indicate that Covenant Christian Academy is to receive my contribution?

On your application form note Covenant Christian Academy 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?

Yes, you may include your contribution check with your application. If for some reason your joinder application is not accepted (e.g., the SPE is out of credits before your joinder is processed) your check will be returned. Some award letters have already arrived for 2019, so your check is due 60 days after you receive notification of acceptance (as early as October 15th, 2019.) **New donors should make out their check to HeHaller LLC (prior participants should use the same SPE you joined in prior years).** Please note "Covenant Christian Academy" on memo line of check.

Q. What should I do after I receive application approval from HeHaller LLC?

Once you receive notification of approval from CPSF, you should write your contribution check to **HEHaller LLC (unless you had already sent your contribution in with your Joinder) and mail it to Covenant Christian Academy, 1982 Locust Lane, Harrisburg, PA 17109 ATTN: PEGGY FRANTZ / SPE**. Covenant will FedEx a batch of checks / joinders to Randy Tarpey / CPSF each week and will follow up with Mr. Tarpey's team to make sure that all of our participants have been included. (If you decide to send your joinder and / or check to CPSF at 227 Jefferson Ave, Tyrone, PA 16686 Attn: Tami Clark, please also notify Peggy Frantz that you have done so.

It is important to note that if all of the tax credits received by CPSF are distributed to other partners by the time your check is received, you will not be able to participate in the SPE and your check will be returned. Therefore, the sooner you are able to send your check, the more likely you are of being granted a tax credit. (The SPEs are filling up earlier as more people are learning about them).



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 HeHaller LLC or Central PA Scholarship Fund (CPSF) for administrative purposes?

100% of your contribution goes to student tuition at Covenant (or whatever school you choose). No portion of your donation is used for administrative purposes. HeHaller LLC and CPSF are volunteer organizations.

Q. How can I be assured that my contribution is given to Covenant?

You will receive a letter from Covenant early in 2020 indicating your donation has been received.

Q. When Covenant receives my contribution, what is it used for?

Your contribution is strictly used for Covenant's financial assistance program, distributed to need based families who make application through Covenant Christian's financial assistance process. The EITC and OSTC tax credits were created by the PA 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.***

*We recommend that you return your completed application to us at **Covenant Christian Academy, 1982 Locust Lane, Harrisburg, PA 17109 (Attn: SPE / Peggy Frantz)**. We will FedEx a batch of joinders and checks to CPSF every week and will then follow up with Randy's team. CPSF usually receives many more joinder applications than they have credits to distribute and we have found that sending our joinders and checks together from the school helps us know exactly what they have received and to follow up on behalf of our participants.*

If you instead mail your joinder directly to Central Pennsylvania Scholarship Fund, 227 Jefferson Avenue Tyrone, PA 16686. Attn: Tami Clark, please notify Peggy Frantz (Peggy.Frantz@DiscoverCovenant.com) 717. 540. 9885, ext. 232)