



Help Pay for a Youth
to Attend one of
Valley Youth House's
STEM or Arts Camps
and receive up to a
90% tax credit!



BACKGROUND

The **Educational Improvement Tax Credit** (EITC) is a program of the Commonwealth of Pennsylvania that allows eligible businesses to receive up to a 90% state tax credit on contributions to an educational improvement organization. Valley Youth House has been approved by the Commonwealth as an Educational Improvement Organization for its STEM and Arts programs offered at Camp Fowler.

Typically, businesses apply for EITC tax credits. In 2014, Pennsylvania's EITC legislation was amended to allow certain **individuals** (rather than only businesses) and other "accredited investors" to participate in the EITC tax credit program through what is called a **Special Purpose Entity** (SPE).

In 2021, Valley Youth House created a Special Purpose Entity (SPE), LLC for the express purpose of allowing individuals and accredited investors the opportunity to earn tax credits while supporting local youth in their participation in the STEM and Arts programs offered by Valley Youth House at Camp Fowler.

VALLEY YOUTH HOUSE SPE, LLC

On October 20, 2022, Valley Youth House SPE, LLC (VYH SPE) was informed that the Pennsylvania Department of Community and Economic Development (DCED) approved tax credits up to \$180,000 for Fiscal Year 2022-2023 and \$180,000 for Fiscal Year 2023-2024.

This means that we have the opportunity to continue to offer our outdoor education programs free of charge to needy local youth while offering tax credits to individuals and other accredited investors.



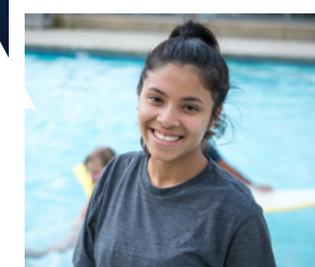
WHO CAN PARTICIPATE?

In order to qualify as an “accredited investor,” an individual must meet the following requirements and agree to participate for two years.



Eligibility for Individuals:

- The Investor is a natural person who had individual income in excess of \$200,000, or joint income with that person’s spouse in excess of \$300,000, in each of the two immediately preceding calendar years, and has a state tax liability of \$3,500 or more, and reasonably expects to reach the same income level in the current calendar year; or
- The Investor is a natural person whose net worth, either individually or jointly with such person’s spouse, at the time of purchase, exceeds \$1,000,000 (excluding the net equity value of the Investor’s primary residence).
- Must not be employed by the government or by a non-profit charity.



Eligibility for Businesses:

- The Investor is a business organized as a S Corp, C Corp, General Partnership, Limited Partnership, or Limited Liability Company (LLC) that pays one or more of the following Pennsylvania taxes annually:
 - Personal Income Tax
 - Capital Stock/Foreign Franchise Tax
 - Corporate Net Income Tax
 - Others detailed at <https://dced.pa.gov/programs/educational-improvement-tax-credit-program-eitc/>
- The Investor is a trust, with total assets in excess of \$5,000,000, whose purpose is directed by a sophisticated person as described in Rule 506(b)(2)(ii) of Regulation D.



HOW IT WORKS

- An “accredited investor” signs a Joinder Agreement to participate in the VYH SPE. In the agreement, each investor confirms their status as a qualified investor and they designate the amount of their initial capital contribution.
 - To receive the 90% tax credit, the investor must commit to participating in the SPE for two years. If an investor only intends to participate for one year, they will receive a 75% tax credit.
- Prior to December 15, 2022, the investor must send the first of the two year’s check to the VYH SPE in the amount they have designated. Each Investor will receive a tax credit for 90% of this amount (if committed to two-year participation). The Joinder Agreement and check should be mailed to:

Valley Youth House SPE, LLC
Attn: Christina Schoemaker, Sr. VP,
3400 High Point Boulevard, Bethlehem, PA 18017

- The minimum Initial Capital Contribution by each Member shall be \$2,500, with the second Capital Contribution being in an amount equal to that Member’s Initial Capital Contribution.
- By December 20, 2022, the SPE will distribute the contributed amount to Valley Youth House.
- The investor will receive a federal K-1 listing the contribution. This can be an itemized deduction on Schedule A of their FEDERAL tax return as a contribution to a 501(c)(3). The amount for the federal tax benefit will vary according to one’s tax bracket.
- The investor will also receive a state K-1 and a transfer form to transfer the tax credit from their K-1 to their personal PA tax return. The investor can claim 90% of the invested amount as a credit / payment to be used against their joint personal PA tax liability.
 - So, for example, for a \$10,000 investment in the SPE, the investor would receive \$9,000 off their PA tax bill (and withholdings or payments already made will be refunded – note, however, that processing of tax refund will likely be delayed until at least June).
- In early fall of the following year, the investor will receive a notice from Valley Youth House requesting a second contribution for the subsequent year, repeating the above process.

EXAMPLE

PA taxpayer estimates their PA Tax Liability for 2022 to be \$10,000. They sign the Joinder Agreement to join the Valley Youth House SPE, LLC and send a check for \$10,000 by December 15, 2022. They will receive a Form K-1 authorizing a \$9,000 Tax Credit for their PA taxes and a contribution statement for their Federal Tax Return for 2022.

EITC-SPECIAL PURPOSE ENTITY	YEAR 1	YEAR 2
Investment in VYH SPE	\$10,000	\$10,000
PA Tax Credit	(\$9,000)	(\$9,000)
Reduction in federal tax for charitable contribution (Assuming they itemize deduction on Schedule A and is in the 24% tax bracket)	(\$240)	(\$240)
Net cash out-of-pocket for individual contributor.	\$760	\$760

FREQUENTLY ASKED QUESTIONS



What is my risk?

- The main risk is that an investor overestimates his or her tax liability. In such a case, the excess contribution would not receive a tax benefit on PA return.
- If the tax credit turns out to not be available for some reason, the SPE will refund your investment. There are no fees involved in this SPE.
- So long as the program continues, investors should be able to continue receiving this tax credit for as long as they want to continue in the SPE. In their second year, participants are able to sign up again for another two years, an opportunity which we expect will continue.



HOW TO OBTAIN ADDITIONAL INFORMATION



Contact:

Christina J. Schoemaker, MBA, CFRE
Sr. VP, Development, Grants, and Marketing

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