

# PENNSYLVANIA EDUCATIONAL IMPROVEMENT TAX CREDIT

## and United Way



### Transform Your Pennsylvania Tax Dollars into a Better Future for Students

Pennsylvania's Educational Improvement Tax Credit (EITC) program permits eligible donors to claim up to a 90% Pennsylvania state income tax credit for contributions made to an approved Educational Improvement Organization (EIO), such as United Way of the Greater Lehigh Valley.

### What if there was a way to turn a \$1,000 investment into over \$15,000 for students and families?

Through Pennsylvania's EITC program and United Way of the Greater Lehigh Valley, your tax dollars can be directed to support **United Way Community Schools**, strengthening schools and helping students and families access the educational and personal supports they need to thrive. EITC funds designated to United Way of the Greater Lehigh Valley support United Way Community Schools operating in 34 schools across five school districts.<sup>1</sup>

*Over the past year, Community Schools reported:*

- **Improved** academic growth
- **More** students' and families' basic needs met
- **Increased** student and family engagement
- **Improved** attendance and behavior
- **Improved** school culture

*Individuals who enroll in Pennsylvania's EITC program may:*

- Receive a 90% Pennsylvania state tax credit with a two-year commitment.
- Receive a federal charitable deduction on the remaining portion of their contribution.
- Directly support education through United Way Community Schools.
- Encourage educational opportunities for children and families in need.

*Donor Eligibility Requirements:*

- Donors must be an employee of, shareholder in, partner of, or owner of a company subject to Pennsylvania tax.<sup>2</sup>
- Donors must be current on all state and federal tax obligations.
- Donors typically have an annual household income over \$200,000.
- Donors are encouraged to use the EITC program to supplement and enhance their current Campaign pledge.

United Way of the Greater Lehigh Valley makes EITC participation simple and convenient, guiding donors through each step of the process. Involvement allows donors to redirect a portion of their Pennsylvania tax liability to support educational initiatives that make a measurable difference for students and families across the Greater Lehigh Valley.

Join us in strengthening education across our community while maximizing your impact. For more information and to get involved, contact David Lewis at 610-428-0665 or [DavidL@UnitedWayGLV.org](mailto:DavidL@UnitedWayGLV.org).

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### FAQs

**Q: What are the tax benefits of making an EITC-qualified gift?** By utilizing the EITC program, it costs very little to donate a lot. The example below demonstrates how a \$1,000 out-of-pocket investment can translate into a \$15,000 educational impact, maximizing the power of your Pennsylvania tax dollars.

Household Taxable Income	\$500,000
PA Tax Burden (3.07%)	\$ 15,350
Annual Contribution to United Way's SPE (100%)	\$ 15,350
PA Tax Credit (90% of \$15,350)	(\$ 13,815)
Federal Deduction on Remaining (\$15,350 – \$13,815) x 37% Federal Rate	(\$ 568)
Net Cost of Contribution	\$ 949
Net Cost as a Percentage	6.20%

**Q: Is there a minimum annual contribution for a 90% tax credit?** Donors must make a minimum gift of **at least \$6,000** in 2026 and **at least \$6,000** in 2027.

**Q: What if I am married?** Only one spouse should enroll. The enrolling spouse must meet the eligibility requirements. The tax credit may be applied against the household's joint Pennsylvania tax liability.<sup>3</sup>

**Q: What is the appropriate level of participation?** To maximize the benefit of the program, individuals should participate in an amount equal to about 100% - 110% of their Pennsylvania state tax liability. This program is based on the applicant's Pennsylvania tax liability (or household tax liability), not income; therefore, each taxpayer's situation will differ. Pennsylvania's current tax rate is a flat 3.07%. Pennsylvania tax liability is reported on Form PA-40 Line 12. EITC credits are not refundable and may not exceed total tax liability.<sup>4</sup>

**Q: How do I enroll?** United Way of the Greater Lehigh Valley will assist donor enrollment into a Special Purpose Entity (SPE).

- An SPE is a state-approved LLC awarded EITC tax credits by the Commonwealth of Pennsylvania.
- Donors join this SPE by executing a joinder agreement.
- The agreement allows donor to designate their contribution to United Way of the Greater Lehigh Valley as an approved EIO.
- Upon signing, donors remit their first-year commitment to the SPE via check or bank transfer.
- 100% of the contribution supports United Way of the Greater Valley's Community Schools.

### Next Steps

1. If your household income exceeds \$200,000, consult your tax advisor to confirm eligibility and estimate your 2026 and 2027 Pennsylvania tax liability.
2. Contact David Lewis ([DavidL@UnitedWayGLV.org](mailto:DavidL@UnitedWayGLV.org) or 610-428-0665) to express your intent to participate.
3. Designate United Way of the Greater Lehigh Valley as your Educational Improvement organization (EIO).
4. Remit your 2026 contribution through the SPE (via check or bank transfer).
5. Receive a Form K-1 in early 2027.
6. Report the tax credit on your Pennsylvania return and claim the allowable federal charitable deduction.
7. Once Pennsylvania processes your tax forms, the state will issue a check payable in the amount of your tax credit.<sup>5</sup>

<sup>1</sup> For more information on United Way Community Schools, please visit [www.unitedwayglv.org/united-way-community-schools](http://www.unitedwayglv.org/united-way-community-schools).

<sup>2</sup> Donors and members of the SPE must be shareholders, partners, members or employees of one or more Business Firms. A Business Firm is any for-profit business authorized to do business in Pennsylvania. For example, owning one share of PPL stock would qualify you. The definition of a business firm does not include sole proprietorships (unless organized as an LLC) or entities not subject to tax.

<sup>3</sup> Interested individuals should consult a tax professional before participation.

<sup>4</sup> Interested individuals should consult a tax professional before participation.

<sup>5</sup> Each Pennsylvania state tax filing is unique. United Way of the Greater Lehigh Valley shall be held harmless and cannot guarantee the final amount of an individual or household tax credit/refund. Consult a tax professional before participation.