

# PENNSYLVANIA EDUCATIONAL IMPROVEMENT TAX CREDIT

## and United Way



### Transform Your Pennsylvania Tax Dollars into Kindergarten Readiness

Pennsylvania's Educational Improvement Tax Credit (EITC) program allows eligible donors to redirect their state tax dollars to approved Pre-Kindergarten Scholarship Organizations (PKSOs), expanding access to high-quality early childhood education for children who need it most.

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

Through Pennsylvania's EITC program and United Way of the Greater Lehigh Valley, your tax dollars can be redirected to provide tuition assistance and scholarships that supports access to high-quality early childhood education, helping kids enter kindergarten ready to learn, grow, and succeed. EITC funds designated through United Way of the Greater Lehigh Valley support approved PKSOs, which provide tuition assistance so children from low-income families can access high-quality early learning programs across the Lehigh Valley.<sup>1</sup>

### Why Early Education Matters

Seven in 10 children are not ready for kindergarten. A child's first five years are critical to future academic success. When children attend high-quality early learning programs and have a strong social-emotional foundation, they are far more likely to succeed in school and in life.

High-quality early learning opportunities lead to:

- Improved math and language skills.
- Healthy social and emotional development.
- Reduced grade repetition.
- Stronger long-term educational outcomes.

United Way of the Greater Lehigh Valley is recognized by leading educators as a regional thought leader in education, known for our collaborative approach to removing barriers to learning and strengthening early literacy. Each year, United Way helps over 700 children access early childhood education through trusted partners such as The Learning Center at Third Street Alliance for Women and Children in Easton. As a result:

✓ **91% of children served in United Way-supported early education programs are ready for kindergarten.**

*Individuals who enroll in PA's EITC program will:*

- Receive a state tax credit of 90% of their contribution for a two-year commitment.
- Receive a 10% itemized charitable deduction on their federal return.
- Directly support tuition assistance and scholarships for eligible Pre-Kindergarten students.

*Donor Eligibility Requirements:*

- Must be affiliated with a PA business (partner, shareholder, employee) and meet EITC participation requirements.<sup>2</sup>
- Donors must be current on all state and federal tax obligations.
- Donors should have an annual household income over \$200,000.
- Donors should utilize the EITC program to **supplement** and **enhance** their current Campaign pledge.

United Way of the Greater Lehigh Valley makes EITC giving simple and convenient, guiding donors through every step of the process. Participation allows donors to redirect a portion of their Pennsylvania tax liability to support early education programs that make a lasting difference for local children and families.

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 chart below demonstrates how a \$1,000 out-of-pocket investment can translate into a \$15,000 impact, maximizing the power of your PA 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

**Q: Is there a minimum annual contribution for a 90% tax credit?** Donors must make a gift of **at least \$6,000** in 2025 and **at least \$6,000** in 2026.

**Q: What is the appropriate level of participation?** To maximize the leveraged nature of the program, individuals should participate in an amount equal to about 100% - 110% of their household 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. These credits are not refundable. That means if someone gives more than 110% of their state tax liability, they will not receive a tax benefit for any amount that exceeds the 110% threshold.<sup>3</sup>

**Q: How do I enroll?** United Way of the Greater Lehigh Valley will assist donor enrollment into a special purpose entity.

- A special purpose entity (SPE) is an LLC awarded credits by the state of Pennsylvania. Donors join this SPE by executing a joinder agreement.
- The joinder agreement offers donor designation to United Way of the Greater Lehigh Valley.
- Upon signing the agreement, the donor will remit the first-year financial commitment to the SPE via check or bank transfer.
- 100% of the donation benefits approved PKSOs supported by United Way of the Greater Lehigh Valley.

### Next Steps

1. If your household income exceeds \$200,000, speak with your tax advisor to determine whether you are eligible to participate and what your expected 2026 and 2027 PA tax liability will be.
2. Contact David Lewis (DavidL@UnitedWayGLV.org or 610-428-0665) and let him know that you intend to make an EITC gift.
3. Designate United Way of the Greater Lehigh Valley for PKSOs support.
4. Remit your 2026 donation via check or bank transfer.
5. Receive a Form K-1 from the SPE in early 2027.
6. Claim your Pennsylvania tax credit and 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>4</sup>

**Together, we can help more children enter kindergarten ready to learn — and ready to succeed.**

<sup>1</sup> Scholarships are awarded by approved PKSOs in accordance with Pennsylvania EITC guidelines. For more information on United Way kindergarten readiness, please visit [www.unitedwayglv.org/child-readiness](http://www.unitedwayglv.org/child-readiness).

<sup>2</sup> A business 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> 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.