

ABOUT THE ETC TAX CREDIT PROGRAM

Tax Credits awarded under the [Educational Tax Credit](#) (ETC) program may be awarded as Educational Improvement Tax Credits (EITC) or Opportunity Scholarship Tax Credits (OSTC).

EITC are available to eligible businesses that contribute to scholarship organizations (including pre-kindergarten) and educational improvement organizations, to promote expanded educational opportunities for students in Pennsylvania. For more information on EITC, review the [EITC Program Guidelines](#).

OSTC are available to eligible businesses that contribute to opportunity scholarship organizations to provide tuition assistance in the form of scholarships to eligible students residing within the boundaries of a low-achieving school to attend another public school outside of their district or nonpublic school. For more information on OSTC, review the [OSTC Program Guidelines](#).

ENTITY DONOR / CREDIT AWARDEE

- The credit awardee must also complete the [REV-1123](#) allocating the entity awarded credit to the individual taxpayers prior to the due date of the entity return.
- A PA 20S/65 tax return must be filed by the credit awardee electing to pass through credits to individual donors; therefore the department can verify the amount of the credit available for allocation. *(If the credit awardee files their return on an extension, the department is not able to begin processing the EITC and/or OSTC credits allocated until the entity return is processed.)*

PROCESS FOR ISSUING ETC REFUNDS

Taxpayers who request a refund on their PA-40 by claiming the EITC or OSTC should not expect to receive their refund prior to the fall timeframe. The Department of Revenue is reminding taxpayers and tax professionals that this is the typical timeframe for processing these specific refund requests due to the supporting documentation that the department needs to verify the credit amounts.

For example, even if the individual donor's PA-40 is filed prior to the April filing deadline, the department cannot process the allocation of the tax credit to the individual taxpayer until it has received the following information related to the entity awarded the tax credits:

- o EITC or OSTC award from the PA Department of Community & Economic Development (DCED).
- o [REV-1123](#) allocating the entity credit to the individual taxpayers; and
- o The tax return, filed by the awardee, electing to passthrough credits to individual donors, so that the department can verify the amount of the credit available for allocation.

Regarding the final point above, approximately 70% of Educational Tax Credit-related donations come through pass-through entities. Often these entities do not file their tax returns until the fall, either on extension or after the department has reached out because of a compliance check.

Although there should be no expectation that the individual will receive their refund prior to the fall, the department will pay the applicable interest on the amount of the refund owed.