

Pre-Kindergarten Scholarship Tax Credit (PKTC)

Listing of Pre-Kindergarten Scholarship Organizations

I. Introduction and Purpose

Under Article XX-B of the Public School Code of 1949, 24 P.S. Section 20-2001-B, et seq., the Educational Improvement Tax Credit (EITC) is to be administered by the Department of Community and Economic Development (the Department). Tax credits may be awarded to business firms that make contributions to Scholarship Organizations and/or Educational Improvement Organizations and/or Pre-Kindergarten Scholarship Organizations contained on a list published by the Department. The current organizational lists can be found on the EITC web site, which is linked to the Department's website, at www.dced.pa.gov/EITC.

A business firm may receive a tax credit equal to 100% of the first \$10,000 contributed to a Pre-Kindergarten Scholarship Organization during the taxable year, and may receive a tax credit equal to 90% of any additional amount contributed during the taxable year, up to a maximum of \$200,000 per taxable year. Agreeing to a two-year commitment will have no impact on the tax credit calculations outlined in this section.

The purpose of these guidelines is to establish the process whereby a Pre-Kindergarten Scholarship Organization may be included on the list of organizations published by the Department.

II. Pre-Kindergarten Scholarship Organization

A. Eligibility

An organization that desires to be included on the Department's list of Pre-Kindergarten Scholarship Organizations must meet the following criteria:

1. The organization must be a nonprofit entity.
2. The organization must be exempt from payment of federal income tax under section 501(c)(3) of the Internal Revenue Code.
3. The organization must contribute at least 80% of its annual EITC receipts to a Pre-Kindergarten Scholarship Program that meets the requirements of the Act and these guidelines.
4. If the organization serves as both a Scholarship Organization and a Pre-Kindergarten Scholarship Organization it must maintain separate segregated funds for contributions to each type of program.

For the purpose of the EITC, the term "annual receipts" shall mean the total amount or value of contributions received by an organization from business firms awarded tax credits during that organization's fiscal year.

B. Pre-Kindergarten Scholarship Program

A Pre-Kindergarten Scholarship Program must demonstrate all of the following characteristics:

1. The program must provide tuition to eligible Pre-Kindergarten students to attend a Pre-Kindergarten Program operated by or in conjunction with a school, or a special education school, located in this commonwealth. For the purposes of the EITC, the term "tuition" shall also include school-related fees charged by a Pre-Kindergarten Program. School-related fees shall include fees charged by a school to all students for books, instructional materials, technology equipment and services, uniforms and activities.

A school includes any public or nonpublic kindergarten, elementary school or secondary school at which the compulsory attendance requirements of the commonwealth may be met and which meets the applicable requirements of Title VI of the Civil Rights Act of 1964. A special education school is a school or program within a school that is designated specifically and exclusively for students with disabilities listed in 34 CFR §300.8 and meets one of the following: (1) is licensed under the Private Academic Schools Act; (2) is accredited by an accrediting association approved by the State Board of Education; (3) is a school for the blind or deaf receiving commonwealth appropriations; or (4) is operated by or under the authority of a bona fide religious institution or by the commonwealth or any political subdivision thereof.

2. A Pre-Kindergarten Program is a program of instruction for three-year-old to six-year-old students other than a kindergarten, operated by a school, or in conjunction with a school, located in the commonwealth of Pennsylvania that utilizes a curriculum aligned with the curriculum of the school with which it is affiliated, and which provides a minimum of two hours of instructional and developmental activities per day at least 60 days per school year. If a provider conducts a summer program it must offer a minimum of two hours of instructional and developmental activities per day for at least 20 days over the summer recess. A provider of a Pre-Kindergarten Program must demonstrate that it will operate an eligible program by receiving a letter (for sample, see Appendix X) from a school in which the school confirms that the curricular content and methods of instruction at the Pre-Kindergarten Program are consistent with those used at the school and that the Pre-Kindergarten Program has agreed to align its instructional and developmental activities so that its students would be prepared to enter the school's kindergarten when and if they chose to do so. A copy of this letter must be submitted to the Department for each Pre-Kindergarten Program that the Pre-Kindergarten Scholarship Organizations want to provide scholarships for eligible children to attend.
3. An eligible student is a resident of Pennsylvania, who is three to six years of age and is enrolled in a Pre-Kindergarten Program located in this commonwealth and who is a member of a household with an annual household income of not more than **\$90,000** except that an additional income allowance of **\$15,842 is permitted for the student, including an eligible student with a disability, and for each other dependent** as defined by the IRS living within the same household. To be considered an eligible student with a disability a student must meet the following criteria: (1) is either enrolled in a special education pre-kindergarten program or has otherwise been identified as a "child with a disability" as defined in 34 CFR §300.8; (2) needs special education and related services; (3) is enrolled in a pre-kindergarten program and (4) is a member of a household that does not exceed the maximum annual household income.

With respect to an eligible student with a disability, multiply the sum of \$90,000 plus the allowance(s) of \$15,842 per student and dependent, by the support level factor of 1.50 if the student is not enrolled in a special education pre-kindergarten program or by the support level factor of 2.993 if the student is enrolled as a student in a special education pre-kindergarten program.

A household includes an individual living alone or an individual living with the following:

- a. a spouse, parent and their unemancipated minor children;
- b. other unemancipated minor children who are related by blood or marriage; or
- c. other adults or unemancipated minor children living in the household who are dependent upon the individual.

4. In calculating household income for the purpose of determining student eligibility, all moneys and property received of whatever nature and from whatever source are to be included, except for the following:
 - a. Periodic payments for sickness and disability other than regular wages received during a period of sickness or disability.
 - b. Disability, retirement or other payments arising under workers' compensation acts, occupational disease acts and similar legislation by any government.
 - c. Payments commonly recognized as old age or retirement benefits paid to persons retired from service after reaching a specific age or after a stated period of employment.
 - d. Payments commonly known as public assistance or unemployment compensation payments by a governmental agency.
 - e. Payments to reimburse actual expenses.
 - f. Payments made by employers or labor unions for programs covering hospitalization, sickness, disability or death, supplemental unemployment benefits, strike benefits, social security and retirement.
 - g. Compensation received by United States servicemen serving in a combat zone.
5. The award of scholarships under a Pre-Kindergarten Scholarship Program must be made without limiting availability to only students of one Pre-Kindergarten Program.
6. **The amount of a scholarship paid to or on behalf of a student may not exceed the actual amount of tuition charged by the program in which the student is enrolled, nor exceed the actual amount of tuition charged by the program to non-scholarship students.**
7. The Pre-Kindergarten Scholarship Program must have policies in place concerning:
 - a. Rebates or refunds of scholarship monies for students who withdraw from a school prior to the end of the period for which tuition has been paid; and
 - b. The maintenance of confidentiality of information pertaining to student eligibility in a Pre-Kindergarten Scholarship Program, including income information.
8. Pre-Kindergarten Scholarship Organizations shall maintain full and accurate records with respect to the receipt of contributions from business firms and expenditure of those contributions. These records shall be maintained a period of not less than three years.
9. For purposes of the PKTC, a "contribution" from a business firm is a donation of cash, personal property or services the value of which is the net cost of the donation to the donor or the pro rata hourly wage, including benefits, of the individual performing the services.
10. The Pre-Kindergarten Scholarship Organization will be responsible for supplying a contribution receipt to the business firm. Receipts shall include the following information: company's name, amount of the contribution and, if applicable, date of check, and date check received. If a company has multiple entities each entity should be receipted separately. If an organization has both a Scholarship Organization and a Pre-Kindergarten Scholarship Organization listing, the organization type that is accepting the contribution should also be reflected on the receipt. The Pre-Kindergarten Scholarship Organization shall use the name by which they have been approved by the Department for participation in the PKTC program on their receipts. For a sample receipt, see Appendix XI.