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Reduced educational tax credit affects nonprofits

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Some local nonprofit groups will be looking for ways to make up for revenue lost through a cut to a popular state tax credit program.

Of the funding cuts to programs and departments in the state budget, which was signed by Gov. Ed Rendell earlier this month following a lengthy budget standoff, is a reduction to the Educational Improvement Tax Credit program.

Funding for the tax credit was reduced from \$75 million to \$60 million this fiscal year. And it's to be reduced by \$10 million more in the next fiscal year.

The program, which has been in place since 2001, is intended to spur donations from businesses to groups that grant scholarships and to groups that support educational programs in public schools - school foundations, arts councils, museums, libraries, science centers and youth organizations.

Generally, businesses can earn a tax credit worth 75 percent of the amount of a contribution up to \$300,000. The credit's value increases to 90 percent of a contribution if a business promises to make a donation of the same amount over two consecutive years.

Jeffrey Spengler, a certified public accountant with the firm McCrory & McDowell, of Pittsburgh, and a member of the Pennsylvania Institute of Certified Public Accountants' state taxation committee, said the credit program is popular, given the amounts involved.

`` In certain circumstances the credit may pay for itself," he said.

Businesses have to apply to the state Department of Community and Economic Development to receive the credit, which is supposed to be awarded on a first-come-first-served basis. However, credits through one component of the program have been awarded randomly because more credits have been sought than are available.

Groups that want to take advantage of donations through the tax credit also must be deemed eligible by the department.

Among the local organizations who benefit from the tax credit are the United Way of Indiana County, the Armstrong School District Foundation, the Punxsutawney Weather Discovery Center and the Foundation for Indiana University of Pennsylvania.

Jon Szish, Armstrong School District spokesman and the executive director of the district's foundation, said the foundation's participation in the program opened the door for a \$20,000 donation from Farmers & Merchants Bank of Western PA. The donation paid for most of the cost of its mobile planetarium.

He said the district plans to incorporate the planetarium into lessons later this year.

`` The (tax credit) program has been a tremendous engine for innovative educational opportunities in Pennsylvania," Szish said. `` To see it being curtailed is unfortunate."

He said the large corporate donations through the program have yielded much innovation in

Pennsylvania.

``Children are flourishing because of innovative educational programs supported by (the tax credit) funding."

The United Way of Indiana County, which was approved as an eligible group this year, is planning to use the money to offer scholarships to working families with children in preschool, allowing them to offset the cost.

``With the reduction, there's going to be less dollars for everybody," said Trish Corle, executive director.

The Boy Scouts of America's Penn's Woods Council, which includes troops in Indiana and Armstrong counties, uses donations made as a result of the credit to fund its Learning for Life program. Donations through the credit pay for about 85 percent of the program, said Cletus McConville, the council's Scout executive.

McConville said that the tax credit gives donors and taxpayers the opportunity `` to choose an effective way to put their tax dollars to work, knowing that it directly impacts the quality of education that students are receiving, often in their own community."

``Moving forward, we will need to identify other funding streams to support this valuable program. A likely new source of funds is private, corporate and community foundations," he said.

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