

PENNSYLVANIA EDUCATIONAL IMPROVEMENT TAX CREDIT (EITC) PROGRAM

Sample Calculations of Tax Savings

REV: 10/2009

	<i>No Contribution</i>	S-Corporation	
		<i>2 Year 90% EITC Tax Credit</i>	
1 Net S-corp income before contribution	\$ 310,000	\$	310,000
2 EITC Contribution	\$ -	\$	10,000
3 Fed/PA Taxable Income before Adjustments	\$ 310,000	\$	300,000
4 PA Personal Income Tax (3.07%)	\$ 9,517	\$	9,210
5 PA Personal Tax Savings	\$ -	\$	307
6 EITC Credit Available for PA Personal Income Tax	\$ -	\$	9,000
7 PA Tax Savings Total	\$ -	\$	9,307
8 Fed/PA Taxable Income from S-corp before Adjustments	\$ 310,000	\$	300,000
9 Add Back: Reduction of State Tax Deduction	\$ -	\$	9,307
10 Net Federal Taxable Income from S-Corp	\$ 310,000	\$	309,307
11 Federal Tax from S-corp (assume 35% bracket)	\$ 108,500	\$	108,257
12 Federal Tax Savings	\$ -	\$	243
13 Total Tax Savings	\$ -	\$	9,550
14 Annual Cash Required to Contribute \$10,000	\$ -	\$	450

NEW:

Beginning in 2008-09, subchapter S-corporations and other "passthrough" business entities will be able to use the credit against PA personal income taxes from the PA business income of the "passthrough" entity.