

## SAMPLE TAX CALCULATION: SUBCHAPTER S-CORPORATION CONTRIBUTIONS TO THE EITC WITH PA INCOME TAX

	No Contribution	90% Contribution
Net S-corp income before contribution	\$310,000	\$310,000
EITC Contribution	\$0	\$10,000
Fed/PA Taxable Income before Adjustments	\$310,000	\$300,000
PA Personal Income Tax (3.07%)	\$9,517	\$9,210
PA Personal Tax Savings	\$0	\$307
EITC Credit available for PA Personal Income Tax	\$0	\$9,000
<b>Total PA Tax Savings</b>	<b>\$0</b>	<b>\$9,307</b>
Fed/PA Taxable Income from S-Corp before Adjustments	\$310,000	\$300,000
Add Back: Reduction of State Tax Deduction	\$0	\$9,307
Net Federal Taxable Income from S-Corp	\$310,000	\$309,307
Federal Tax from S-corp (assume 35% bracket)	\$108,500	\$108,257
<b>Federal Tax Savings</b>	<b>\$0</b>	<b>\$243</b>
<b>Total Tax Savings</b>	<b>\$0</b>	<b>\$9,550</b>
Net Cost to Contribute \$10,000		\$450

New for the 2008-2009 fiscal year, subchapter S-corporations and other "pass-through" business entities will be able to use the credit against PA personal income taxes from the PA business income of the "pass-through" entity.

# SAMPLE TAX CALCULATION: SUBCHAPTER S-CORPORATION CONTRIBUTIONS TO PRE-K ORGANIZATIONS WITH PA INCOME TAX

	No Contribution	\$10,000 Contribution	\$20,000 Contribution
Net S-corp Income before contribution	\$640,000	\$640,000	\$640,000
EITC Contribution	\$0	\$10,000	\$20,000
<b>Fed/PA Taxable Income before Adjustments</b>	<b>\$640,000</b>	<b>\$630,000</b>	<b>\$620,000</b>
PA Personal Income Tax (3.07%)	\$19,648	\$19,341	\$19,034
PA Personal Tax Savings	\$0	\$307	\$614
EITC Credit available for PA Income Tax	\$0	\$10,000	\$19,000
<b>Total PA Tax Savings</b>	<b>\$0</b>	<b>\$10,307</b>	<b>\$19,614</b>
Fed/PA Taxable Income from S-Corp before Adjustments	\$640,000	\$630,000	\$620,000
Add Back: Reduction of State Tax Deduction	\$0	\$10,307	\$19,614
Net Federal Taxable Income from S-corp	\$640,000	\$640,307	\$639,614
Federal Tax from S-corp (assume 35% bracket)	\$224,000	\$224,107	\$223,865
<b>Federal Tax Savings</b>	<b>\$0</b>	<b>\$(107)</b>	<b>\$135</b>
<b>Total Tax Savings</b>	<b>\$0</b>	<b>\$10,200</b>	<b>\$19,749</b>
Net Cost/(Gain) to Contribute \$10,000		\$(200)	\$251

## More updates...

Updates to Page 6 “Special Information on S-Corporations:”

**S-corps will be able to use the credit against the PA Capital Stock and Franchise Tax and PA personal income taxes from the business income of the “pass-through” entity.**

All taxes based on the income of the S-corporation are passed to the shareholders and reported on their personal income tax return.

**The EITC can be used as a credit on the PA income taxes of the owner or shareholder of the S-corporation.**

Capital Stock and Franchise Tax Rate Changes:

2008 - 2.89 mills  
2009 - 1.89 mills  
2010 - 0.89 mills

These calculations do not include computations for Alternative Minimum Tax or other tax circumstances that may or may not apply to each individual situation. Please consult your tax advisor for specifics to your overall situation.