



IS YOUR TUITION ASSISTANCE PROGRAM LEGAL?

It is estimated that 50% of Christian schools in the US are out of compliance with their 501(c)3 requirements.

After surveying hundreds of Christian schools across the US, we have learned that while most schools (96%) give out some sort of financial aid, only about half use a formal application.

Schools that have acquired tax-exempt status as a 501(c)3 are required to follow certain guidelines prescribing how a non-profit gives out money. Two important requirements are that they have written policies guiding how recipients qualify for a gift, and if the gift is tuition assistance, that they follow the same criteria and utilize the same formulas for each applicant.

Is your school in compliance with its 501(c)3?

DOES THE IRS CARE?

It cares when you give away money even if it is a tuition "discount." All tuition aid recipients must be treated consistently. What does this mean for tuition assistance?

All Families Must Have the Same Opportunity to Apply for Aid

Anyone who wants to apply for financial aid must be allowed to do so. However, this does not mean that every application qualifies for aid. A school cannot be selective in who receives a financial aid application.

Additionally, your tuition assistance brochure or written guideline should have a statement similar to this: *This school does not discriminate on the basis of gender, race, color, national or ethnic origin in the award of any tuition assistance. Tuition assistance or tuition payments given to the school that are designated for a specific family or recipient are not considered to be tax-deductible.*

All Applicants Must Be Evaluated Using the Same Criteria

Within each fund every applicant must use the same application. Every award must be based on the same formulas or calculations or criteria. For instance, you can have more than one fund, and each fund can be treated differently. You may have a *general* Tuition Aid Fund where every applicant must demonstrate a financial need and you can also have a First Baptist Church Tuition Aid Fund (as an example) where every applicant must demonstrate a financial need AND be a member of the First Baptist Church, and so forth.

This does not mean that there is no room for exceptions. It is definitely best for the school if requests for an exception are presented to a tuition assistance committee in writing, and that the committee meet, discuss the request, and state their reasons for exception in a written statement placed in the applicant's file.

All Awards Must Treat Applicants Consistently (but not necessarily equally)

The same data must be collected and evaluated on each applicant and the same formula must be used for each application's calculation. The same guidelines and opportunities for exception must be available to all applicants, and the same criteria for award must apply to all applicants.

This does not mean that every applicant is treated equally. For instance, you may want to have a Pastor's Scholarship because you want to encourage local pastors to enroll their children in your school. All pastors must be treated equally, but obviously, not all applicants qualify for the Pastor's Scholarship.

You could even prescribe that pastors who qualify for the Pastor's Scholarship must live within 10 miles of the school, or any other such stipulation. Just remember, consistent, but not necessarily equal.

Bartering Volunteer Work in Exchange for Tuition Aid

Some schools require that aid recipients "volunteer" for a certain number of hours each semester. This is their way of offsetting or recovering some of the school's tuition aid budget. All "barter" or "work scholarships" must be either required of everyone or treated as income subject to withholding.

Records Must Be Kept and Be Kept Confidentially

It is important that the school keeps records of each family's award, minutes from meetings, copies of board / administration / business office correspondence and copies of board and business office reports. Access to these files should be restricted to the tuition assistance committee, the administrator, and the board treasurer.

The individual family records should contain the following information:

- Report from the family's Confidential Financial Analysis
- IRS form 1040
- Other documentation (such as written explanation of special circumstances / exceptions)
- Authorization to Pay
- Correspondence with or about the family