

# AMERICA'S SCHOLARSHIP SYSTEM 101

A 400 YEAR OLD SYSTEM OF FUNDING



# WHAT IS A SCHOLARSHIP?

According to **IRS Topic No. 421**: a Scholarship is **non-taxable** income so long as the amount received is used for enrollment in an educational institution or for necessary supplies for a course at the educational institution.

Simply stated, a Scholarship is a **pool of money** that the government **will not tax** if **used** for the purpose of **education**. America has been dependent on two sources of funding for their scholarship system.



# DONOR AND SPONSOR

Since **1643** America has been **dependent** on the **Donor** and **Sponsor** scholarship source of funding. This system was originally established by the **wealthy** to leave behind funds for their intended beneficiaries- primarily being their children.

**Non-profits** were then formed so the wealthy could receive a tax deduction for their contribution and require applicants to **apply** for their money based on **their** eligibility criterion.



# COLLEGIATE ATHLETIC

In **1950** the **NCAA**<sup>®</sup> established the **Athletic Scholarship**. This source of funding is primarily formed through their television network deals that are then allocated to the post-secondary educational institutions for the **Student-Athletes**.

The NCAA<sup>®</sup> created their principles of **Amateurism** which can determine an athlete ineligible to compete in their competitions and tournaments including if they accept **Prize Money** based on **Place Finish**.





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