



June 3, 2019

Docket ID: ED-2019-ICCD-0039

Director of the Information Collection Clearance
U.S. Department of Education
550 12th Street SW, PCP, Room 9086
Washington, DC 20202-0023.

To Whom It May Concern:

On behalf of the member institutions of the National Association of Student Financial Aid Administrators (NASFAA), I am writing to offer our comments on the draft 2020-21 Free Application for Federal Student Aid (FAFSA). NASFAA represents nearly 20,000 financial aid professionals who serve 16 million students each year at approximately 3,000 colleges and universities in all sectors throughout the country. NASFAA member institutions serve nine out of every ten undergraduates in the U.S.

Schedule 1

With the implementation of new federal tax forms for the 2018 tax year, the Department of Education (ED) was required to determine a proxy for “eligible to file a 1040A or EZ,” as stated in the Higher Education Act (HEA), to determine eligibility for the Simplified Needs Test (SNT) or Automatic Zero Expected Family Contribution (auto zero EFC).

In the draft 2020-21 FAFSA, ED has included a question “Did (or will) you file a Schedule 1 with your 2018 tax return?” (Question 35 for independent students and Question 82 for parents of dependent students). Answering “Yes” to this question eliminates the applicant from eligibility for SNT or Automatic Zero EFC, unless the applicant qualifies through the means-tested benefit or dislocated worker criteria.

We appreciate ED’s approach of keeping the FAFSA as simple as possible and minimizing the addition of new questions. We share the same goal. However, there are several situations where applicants would have qualified to file a 1040A or EZ prior to 2018 and therefore could have qualified for SNT or auto zero EFC, but are now required to file a Schedule 1 and therefore are automatically disqualified from eligibility for SNT and auto zero EFC. We believe these applicants should be held harmless from changes to the federal tax forms and should not be disqualified from eligibility for SNT and auto zero EFC.

These applicants include independent students and parents who filed a Schedule 1 to claim or report one or more of the following:

- Capital gain distributions
- Unemployment compensation
- Educator expenses
- IRA deduction
- Student loan interest deduction
- Alaska Permanent Fund dividends

Although we have no way of knowing the volume of FAFSA applicants who claimed or reported one of these items on their tax forms, in 2016, there were 8,416,612 1040A and 1040EZ forms that included one of these items, disaggregated as follows:

- Capital gain distributions - 821,148
- Unemployment compensation and Alaska Permanent Fund dividends- 2,250,907
- Educator expenses - 765,173
- IRA deduction - 416,693
- Student loan interest deduction - 4,812,162

To hold these FAFSA applicants harmless, we suggest adding a follow-up question to the FAFSA for those applicants who indicate that they did file a Schedule 1:

“Did you file a Schedule 1 only to report or claim one or more of the following:

- Capital gain distributions
- Unemployment compensation
- Educator expenses
- IRA deduction
- Student loan interest deduction
- Alaska Permanent Fund dividends?”

Applicants who respond “Yes” would then be considered for SNT or auto zero EFC. This approach is similar to the current FAFSA treatment of those tax filers who file a 1040 form only to claim the American Opportunity Tax Credit or Lifetime Learning Tax Credit.

While this would be an additional FAFSA question, built-in skip logic means that our proposed new question would only be presented to a subset of FAFSA applicants - those whose eligibility for SNT or auto zero EFC has not already been determined by responses to earlier FAFSA questions, and who indicated that they did file a Schedule 1.

Our proposed new question imposes minimal additional burden on aid applicants and allows affected FAFSA filers to be held harmless from unrelated tax changes while keeping with the spirit of the Higher Education Act until reauthorization provides an opportunity to conduct a thorough review of Federal Methodology.

We appreciate the opportunity to offer these comments and we look forward to working with you on these important issues. Questions about our comments may be directed to Karen McCarthy at mccarthyk@nasfaa.org.

Regards,

A handwritten signature in black ink, appearing to read "Justin Draeger". The signature is fluid and cursive, with a long horizontal stroke at the end.

Justin Draeger, President & CEO