



September 18, 2018

Docket ID IRS-2018-0015

Comments on IRS Draft Revised Federal Tax Forms

The National Association of Student Financial Aid Administrators (NASFAA), along with the undersigned organizations, submits these comments in response to the Internal Revenue Service (IRS) Draft Form 1040 and other tax forms. NASFAA represents nearly 20,000 financial aid professionals who serve 16 million students each year at approximately 3,000 colleges and universities throughout the country. NASFAA member institutions serve nine out of every ten undergraduates in the U.S.

In the 2016-17 year, nearly 19 million students completed the Free Application for Federal Student Aid (FAFSA), a process that is largely dependent on the federal tax system, as dictated by the Higher Education Act. Changes to IRS forms and processes impact the millions of students applying for the over \$130 billion in federal student aid disbursed annually. Given this large federal investment in student aid, we encourage you to collaborate with the Department of Education to both avoid unintended consequences on the student aid application process and to modify tax forms and processes to streamline the FAFSA process in ways that would not have any detrimental effects on tax filing procedures.

With that in mind, we offer the following suggestions:

- 1. Automate the verification of non-filing (VONF) process and incorporate it into the FAFSA, similar to how the IRS Data Retrieval Tool (DRT) functions.** The current process requires that non-filers who are selected for verification of FAFSA data must contact the IRS separately to acquire the VONF. Those individuals who are not able to successfully register to use the Get Transcript Online tool need to request a VONF letter using IRS Form 4506-T. A VONF letter is not available through the online Get Transcript by Mail or through the automated phone request process. The requirements of the IRS authentication process preclude many non-tax filers from using the Get Transcript Online functionality, forcing them to use the manual 4506-T process. The burden of this process falls on many of our neediest aid applicants. While acknowledging existing federal privacy laws, we ask that the IRS continue to work with the Department of Education to explore ways to both automate this process and incorporate it into the FAFSA.

- 2. Continue to collaborate with the Department of Education to explore ways to expand the use and capabilities of the DRT.** The IRS DRT, which allows applicants to import their tax data directly from the IRS into their online FAFSA, has helped reduce application errors for millions of financial aid applicants, while at the same time reducing the number of complex and time-intensive income questions on the FAFSA. Applicants who use the DRT are less likely to be selected by ED for verification, a sometimes cumbersome process whereby a school is required to collect additional information from students to verify FAFSA information. We encourage you to work with the Department of Education to explore ways to expand both eligibility for the DRT to more users, such as tax filers with married filing separately or head of household filing statuses, and the capability of the DRT to import additional relevant information from tax forms directly into the FAFSA. Also, as you consider moving fields from the 1040 to schedules, we ask that you be cognizant of the impact and implications on the functionality of the DRT, which is a keystone piece to the higher education community's FAFSA simplification efforts.
- 3. Create separate fields for income earned from work for each tax filer on a joint return.** On the current forms, these fields are lines 7, 12, 18, and Box 14 (Code A) of IRS Schedule K-1 (Form 1065). The federal need analysis methodology requires that income earned from work be allocated accurately between the two tax filers. Because the tax forms do not have separate fields for each tax filer, the approximately seven million FAFSA applicants and their parents who have filed joint tax returns are currently required to enter their income earned from work manually into the FAFSA. Then, if they are selected for verification, they must provide all Form W-2s to verify that income. Separate fields for each tax filer would allow the DRT to populate these FAFSA fields automatically, eliminating the need for manual data entry by the applicant and collection of W-2s later.
- 4. On the 1040, include a field for the tax filer to indicate the dollar amount of a qualified IRA and/or pension rollover.** Because this is not a separate field on the 1040, the DRT is unable to capture this figure. Therefore, if an amount greater than \$0 is transferred from the IRS into the Untaxed Portions of IRA Distributions field or the Untaxed Portions of Pensions field in the FAFSA, the applicant or parent is required to answer a new question about whether or not that amount includes a rollover. If the applicant or parent answers "yes," he or she is required to manually enter the amount of the rollover in the FAFSA. A separate field on the 1040 would allow the DRT to capture this amount, eliminating the need for the extra FAFSA question and the potential for error that comes with manual entry.

A coordinated, efficient interplay between the IRS and ED is crucial to ensuring that the millions of students who file a FAFSA each year experience a simple, easy-to-understand form, and is vital part of providing access to higher education, particularly for our country's neediest students. We appreciate the opportunity to offer these comments and we look forward to working with you on these important issues.

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

National College Access Network
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