

# Verification 2020-21: Follow-Up Webinar

January 22, 2020



© 2008-2020 by National Association of Student Financial Aid Administrators (NASFAA). All rights reserved.

NASFAA has prepared this document for use only by personnel, licensees, and members. The information contained herein is protected by copyright. No part of this document may be reproduced, translated, or transmitted in any form or by any means, electronically or mechanically, without prior written permission from NASFAA.

NASFAA SHALL NOT BE LIABLE FOR TECHNICAL OR EDITORIAL ERRORS OR OMISSIONS CONTAINED HEREIN; NOR FOR INCIDENTAL OR CONSEQUENTIAL DAMAGES RESULTING FROM THE FURNISHING, PERFORMANCE, OR USE OF THIS MATERIAL.

This publication contains material related to the federal student aid programs under Title IV of the Higher Education Act and/or Title VII or Title VIII of the Public Health Service Act. While we believe that the information contained herein is accurate and factual, this publication has not been reviewed or approved by the U.S. Department of Education, the Department of Health and Human Services, or the Department of the Interior.

The Free Application for Federal Student Aid (FAFSA®) is a registered trademark of the U.S. Department of Education.

NASFAA reserves the right to revise this document and/or change product features or specifications without advance notice.

January 2020



# NASFAA Webinar

## Verification 2020-21: Follow-Up Webinar

---

### Table of Contents

Slides .....	1
Most Frequently Asked Questions from NASFAA's Webinar Verification 2020-21: Extended Edition Presented November 13, 2019.....	59

**This page intentionally left blank.**



# NASFAA's Webinar Series

## Verification 2020-21: Follow-Up Webinar

Presented January 22, 2020



1

---

---

---

---

---






---

---

---

### Webinar Housekeeping – Welcome!

- Turn your computer speaker volume up
- For technical assistance:
  - Review the Tech Tips
  - Contact us using the Q&A
  - Email [webinars@nasfaa.org](mailto:webinars@nasfaa.org)
- Download the handout
- Print your certificate of attendance
- Complete the survey



Slide 2 © 2020 NASFAA

2

---

---

---

---

---

---

---

---

### Introductions

- **Susan Shogren**
  - Certification and Credentialing Manager
  - NASFAA Training and Regulatory Assistance
- **Joe Massman**
  - Regulatory Specialist
  - NASFAA Training and Regulatory Assistance

Slide 3 © 2020 NASFAA

3

---

---

---

---

---

---

---

---



# NASFAA's Webinar Series

## Verification 2020-21: Follow-Up Webinar

Presented January 22, 2020

### Topics

- 2020-21 documentation requirements
- Signatures
- Amended tax returns
- Tax filing status
- Nontax filers
- Separation and parent of record
- Number in household/college
- Conflicting information

Slide 4 © 2020 NASFAA



4

---

---

---

---

---

---

---

---

### 2020-21 Verification Documentation Requirements—Q&As



Slide 5 © 2020 NASFAA



5

---

---

---

---

---

---

---

---

### Verification Documentation

*We have many applicants who live abroad and, per the student, do not work or are not required to file taxes in their country.*

*Could you go over what would be appropriate documentation to collect if they were selected for verification?*

Slide 6 © 2020 NASFAA



6

---

---

---

---

---

---

---

---



# NASFAA's Webinar Series

## Verification 2020-21: Follow-Up Webinar

Presented January 22, 2020

### Verification Documentation

1. A signed statement certifying:
  - That the individual has not filed and is not required to file a 2018 income tax return; and
  - The sources of 2018 income earned from work and the amount of income from each source;
2. A copy of IRS Form W-2 for each source of 2018 employment income received, or an equivalent document; **and**
3. Except for dependent students, verification of nonfiling from the IRS or other relevant tax authority dated on or after 10/1/19

Slide 7 © 2020 NASFAA



7

---

---

---

---

---

---

---

---

### Verification Documentation

#### Equivalent document (W-2)

- May be a wage and earnings statement or other similar document provided by the employer or tax authority
- If unable to obtain in a timely manner, per 668.57(a)(6) you may permit a signed statement that includes:
  - Amount of income earned from work;
  - Source of that income; and
  - Reason why IRS Form W-2, or equivalent document, is not available in a timely manner

Slide 8 © 2020 NASFAA



8

---

---

---

---

---

---

---

---

### Verification Documentation

- Foreign tax filers
  - Tax transcript from the foreign country (signed or unsigned); or
  - Signed copy of a tax return or similar document filed with the foreign taxing authority
- Report on the FAFSA the amounts (converted to U.S. dollars) from the lines of the form that correspond most closely to those on the common IRS forms
  - School should trust the student's or parent's conversions unless it has a better method for performing the conversion

Slide 9 © 2020 NASFAA



9

---

---

---

---

---

---

---

---



# NASFAA's Webinar Series

## Verification 2020-21: Follow-Up Webinar

Presented January 22, 2020

### Verification Documentation

*How does a school verify that a student or parent tried to get the Tax Return Transcript or acceptable alternative tax transcript?*

*Do families have to provide proof that they have tried to request a tax transcript or to use the IRS DRT?*

Slide 10 © 2020 NASFAA



10

---

---

---

---

---

---

---

---

### Verification Documentation

- No
- You are not required to verify that the student or parent tried to get the tax transcript
- Applicant can freely choose not to use the Internal Revenue Service Data Retrieval Tool (IRS DRT), and schools cannot require student or parent to use DRT
  - Student or parent never has to prove he or she tried to use the DRT before you accept a tax transcript or copy of the tax return (with applicable schedules)
- Signed copy of the tax return (with applicable schedules) is acceptable to complete verification without any proof student or parent attempted to get a tax transcript first

Slide 11 © 2020 NASFAA



11

---

---

---

---

---

---

---

---

### Verification Documentation

*Are we required to request a Tax Return Transcript before accepting a signed copy of the tax return (with applicable schedules)?*

*Must a student first attempt to get a Tax Return Transcript before providing a signed copy of the tax return?*

Slide 12 © 2020 NASFAA



12

---

---

---

---

---

---

---

---





# NASFAA's Webinar Series

## Verification 2020-21: Follow-Up Webinar

Presented January 22, 2020

### Verification Documentation

- No
- Schools are not required to request a Tax Return Transcript before requesting or accepting a signed copy of the tax return with applicable schedules
- Student or parent is not required to first attempt to obtain a Tax Return Transcript before providing a signed copy of the tax return
- Schools are not required to confirm the individual tried to get a Tax Return Transcript before accepting a signed copy of the tax return

Slide 13 © 2020 NASFAA



13

---

---

---

---

---

---

---

---

### Pop Quiz—Copies of Tax Returns

*Can a school have a policy to require the student or parent to provide a tax transcript and refuse to use a signed copy of the tax return it receives to complete federal verification?*

- ☐ Yes  
☐ No

Slide 14 © 2020 NASFAA



14

---

---

---

---

---

---

---

---

### Verification Documentation

- No
- School may request a copy of a tax return transcript in lieu of a signed copy of an income tax return, but **cannot require** it
  - However, if school has concerns about validity of the tax return, it may require a tax return transcript (or any other documentation specified in the annual *Federal Register* notice)
    - ◆ Must document the reason why the income tax return was not acceptable

Slide 16 © 2020 NASFAA



16

---

---

---

---

---

---

---

---



# NASFAA's Webinar Series

## Verification 2020-21: Follow-Up Webinar

Presented January 22, 2020

### Verification Documentation

*Can students no longer make an appointment with the IRS to obtain the wage transcript, IRS nonfiling letter, or tax transcript?*

Slide 17 © 2020 NASFAA



17

---

---

---

---

---

---

---

---

### Verification Documentation

Students can still make appointments with the IRS

- The IRS no longer accepts walk-ins, but appointments can be made for in-person assistance
- Appointments must be scheduled by calling 844-545-5640
- ED and the IRS prefer that schools not send students to the IRS to obtain these documents unless they are having difficulty requesting them online

Slide 18 © 2020 NASFAA



18

---

---

---

---

---

---

---

---

### Verification Documentation

*Can the student or parent use the Income Verification Express Service (IVES) to request tax transcripts, or must the school do it on behalf of the student or parent?*

*Do we need the student's and/or parent's permission to request the Tax Return Transcript on their behalf?*

Slide 19 © 2020 NASFAA



19

---

---

---

---

---

---

---

---



# NASFAA's Webinar Series

## Verification 2020-21: Follow-Up Webinar

Presented January 22, 2020

### Verification Documentation

- No, the student or parent does not make the tax transcript request using IVES
- The school requests the tax transcript on behalf of the student and/or parent
  - To initiate the request, the tax filer completes IRS Form 4506T or 4506T-EZ, which the school then transmits to the IRS
    - ◆ This counts as the tax filer's consent, which is required

Slide 20 © 2020 NASFAA



20

---

---

---

---

---

---

---

---

### Verification Documentation

- Tax Return Transcript generally is delivered to the school's IVES mailbox within two to three business days
- There is a \$2.00 fee per transcript request
  - Schools cannot require students or parents to use the IVES, or pass along the \$2.00 IVES fee to students or parents

Slide 21 © 2020 NASFAA



21

---

---

---

---

---

---

---

---

### Verification Documentation

*Why is proof of a tax filing extension required?*

*How could you proceed with verification without tax information?*

Slide 22 © 2020 NASFAA



22

---

---

---

---

---

---

---

---



# NASFAA's Webinar Series

## Verification 2020-21: Follow-Up Webinar

Presented January 22, 2020

### Verification Documentation

- This is a longstanding exception specifically required in verification regulations at 668.57(a)(3) and (4)
- Proof of a tax filing extension beyond six months allows verification to be completed with alternative documentation instead of waiting for the tax return to be filed

Slide 23 © 2020 NASFAA



23

---

---

---

---

---

---

---

---

### Verification Documentation

For an individual with a valid extension, verification of income and tax information is completed with:

- Unexpired IRS approval of extension beyond automatic 6-month extension;
- Verification of nonfiling dated on or after 10/1/19 (even from dependent student);
- W-2s or equivalents for each source of employment income received for tax year; and
- If self-employed, signed statement certifying amount of adjusted gross income (AGI) and tax paid for tax year

Slide 24 © 2020 NASFAA



24

---

---

---

---

---

---

---

---

### Verification Documentation

- If student or parent provides all of the required extension-related alternative documents, the school must proceed with verification using these documents
  - Cannot wait until the tax return is filed and available
- At this point, verification is considered complete and valid

Slide 25 © 2020 NASFAA



25

---

---

---

---

---

---

---

---



# NASFAA's Webinar Series

## Verification 2020-21: Follow-Up Webinar

Presented January 22, 2020

### Verification Documentation

*Once verification has been completed for a student or parent with a tax extension, must the student or parent later submit proof that the taxes were filed?*

Slide 26 © 2020 NASFAA



26

---

---

---

---

---

---

---

---

### Verification Documentation

- No, there is no federal requirement that the tax filer later provide the tax return to the school once it is filed
- School can have a policy to require IRS DRT, a tax transcript, or a signed copy of the tax return once it has been filed
  - Once the school receives it, must re-verify the information
  - If the request is made and documentation is not provided by the institution's deadline, all Title IV aid except for subsidized and unsubsidized Direct Loans, PLUS, and earned FWS must be returned by the student

Slide 27 © 2020 NASFAA



27

---

---

---

---

---

---

---

---

### ► Signatures—Q&As



Slide 28 © 2020 NASFAA



28

---

---

---

---

---

---

---

---



# NASFAA's Webinar Series

## Verification 2020-21: Follow-Up Webinar

Presented January 22, 2020

### Signatures

*I have heard conflicting guidance on tax return signatures—would an acceptable signature include a typed Preparer Tax Identification Number (PTIN) from a preparer?*

*Or, does the tax return always have to have the taxpayer's handwritten signature for it to be acceptable?*

Slide 29 © 2020 NASFAA



29

---

---

---

---

---

---

---

---

### Signatures

- The copy of the tax return must be signed by at least one of the tax filers, **or** it must contain the necessary tax preparer information
- Either is equally acceptable

Slide 30 © 2020 NASFAA



30

---

---

---

---

---

---

---

---

### Pop Quiz—Signatures

*Are you saying we can accept a copy of the student's joint tax return with just the spouse's signature (but not the student's)?*

- ☐ Yes  
☐ No

Slide 31 © 2020 NASFAA



31

---

---

---

---

---

---

---

---



# NASFAA's Webinar Series

## Verification 2020-21: Follow-Up Webinar

Presented January 22, 2020

### Signatures

- Yes
- When the student's joint tax return is used, it must:
  - Be signed by the student or spouse; or
  - Contain the appropriate tax preparer information
- This means you can accept a copy of the student's joint tax return with just the spouse's signature on it

Slide 33 © 2020 NASFAA



33

---

---

---

---

---

---

---

---

### Signatures

Signature Requirements: Application and Verification for All FSA Programs			
	Application (fafs.gov, PDF FAFSA, FAFSA Access to CPS Online)	IRS Documentation (Transcript or other form submitted for verification)	Verification Document
Student	Must sign statement that data are accurate and other conditions are met (on paper FAFSA, web summary, or signature page or by using the FSA ID)	IRS Data Retrieval Tool (DRT) or tax return transcript (does not need to be signed). In rare instances when the tax return is used, it must be signed by the student (or spouse), or the tax preparer must provide his name and SSN, EIN, or PTIN.	Must sign documents used to verify FAFSA data
Parent(s) (if student is dependent)	One parent must sign statement that data are accurate (on paper FAFSA, web summary, or signature page or by using the FSA ID)	DRT or tax return transcript (which does not need to be signed). In rare instances when the tax return is used, it must be signed by one parent, or the tax preparer must provide his name and SSN, EIN, or PTIN.	One parent must sign documents used to verify FAFSA data.
Aid Administrator	Must certify if overriding dependency status or exercising PI (can't be done on fafsa.gov)		

2019-20 FSA Handbook, page AVG-36

Slide 34 © 2020 NASFAA



34

---

---

---

---

---

---

---

---

### Signatures

*Is a tax preparer's information sufficient on a 1040X amended tax return?*

Slide 35 © 2020 NASFAA



35

---

---

---

---

---

---

---

---



# NASFAA's Webinar Series

## Verification 2020-21: Follow-Up Webinar

Presented January 22, 2020

### Signatures

- Yes
- 1040X with the appropriate tax preparer information would be acceptable
  - Includes tax preparer's Social Security Number (SSN), EIN, or PTIN; **and**
  - Has been signed, stamped, typed, or printed with the name and address of the preparer of the return

Slide 36 © 2020 NASFAA



36

---

---

---

---

---

---

---

---

### Signatures

*If the tax return is electronically filed (e-filed), can the taxpayer electronically sign the 1040?*

*Or, do they need to re-sign the tax return with a "wet" or copied/faxed signature?*

Slide 37 © 2020 NASFAA



37

---

---

---

---

---

---

---

---

### Signatures

It depends on whether the signature process complies with the Electronic Signatures in Global and National Commerce (ESIGN) Act

- According to page AVG-83 of the 2019-20 *FSA Handbook*, a school can accept an electronic copy of a return that was electronically signed if the school's process for accepting such signatures complies with the ESIGN Act
- Signature on Form 8879 (the IRS e-file Signature Authorization) is not an acceptable substitute for a signature on the tax return

Slide 38 © 2020 NASFAA



38

---

---

---

---

---

---

---

---





# NASFAA's Webinar Series

## Verification 2020-21: Follow-Up Webinar

Presented January 22, 2020

### Signatures

- If in doubt, get a “wet” handwritten signature on the copy of the tax return, which can be either a copy of the tax return that was:
  - Signed and then photocopied or scanned before being sent to the school; or
  - Printed, signed, and then submitted to the school by fax, PDF, in person, or by mail
- Any questions about the E-Sign Act and whether your process complies with it should be directed to your school's information technology staff and/or legal counsel (not ED nor NASFAA)

Slide 39 © 2020 NASFAA



39

---

---

---

---

---

---

---

---

### ▶ Amended Tax Returns—Q&As



Slide 40 © 2020 NASFAA



40

---

---

---

---

---

---

---

---

### Amended Tax Returns

*If the IRS DRT alerts us to an amended tax return, do we still need to verify the amended tax information if the student is not selected for verification?*

Slide 41 © 2020 NASFAA



41

---

---

---

---

---

---

---

---



# NASFAA's Webinar Series

## Verification 2020-21: Follow-Up Webinar

Presented January 22, 2020

### Amended Tax Returns

- No (and Yes)
- IRS Request Flag "07" does not automatically select the student for verification, but you must still confirm the accuracy of the information

Slide 42 © 2020 NASFAA



42

---

---

---

---

---

---

---

---

### Amended Tax Returns

Selected,  
Filed 1040X

Not Selected,  
Filed 1040X

Selected,  
Did Not File  
1040X

Not Selected,  
Did Not File  
1040X

Slide 43 © 2020 NASFAA



43

---

---

---

---

---

---

---

---

### Amended Tax Returns

*What documents do you need to verify or resolve IRS Request Flag "07" if they filed a 1040X?*

Slide 44 © 2020 NASFAA



44

---

---

---

---

---

---

---

---



# NASFAA's Webinar Series

## Verification 2020-21: Follow-Up Webinar

Presented January 22, 2020

### Amended Tax Returns

Selected,  
Filed 1040X

Not Selected,  
Filed 1040X

Selected,  
Did Not File  
1040X

Not Selected,  
Did Not File  
1040X

Slide 45 © 2020 NASFAA



45

---

---

---

---

---

---

---

---

### Amended Tax Returns

- Must determine from Institutional Student Information Record (ISIR) which tax filer—student and/or dependent student's parent(s)—filed an amended return and document both the original and amended tax return information
- To complete verification, tax filer needs to provide a signed copy of the 1040X that was filed with the IRS, and one of the following:
  - IRS Tax Return Transcript or acceptable alternative tax transcript;
  - Signed copy of the tax return and Schedules 1, 2, and/or 3 that were filed with the IRS; or
  - Unaltered IRS DRT information on an ISIR with all tax information from the original tax return (IRS Request Flag "02" or IRS Data Field Flag "1")

Slide 46 © 2020 NASFAA



46

---

---

---

---

---

---

---

---

### Amended Tax Returns

- Alternatively, IRS Record of Account Transcript can be used by itself to complete verification of income data
  - No need for 1040X, Tax Return Transcript, or DRT
- Also, Tax Account Transcript can be used along with a Tax Return Transcript to complete verification without 1040X

Slide 47 © 2020 NASFAA



47

---

---

---

---

---

---

---

---



# NASFAA's Webinar Series

## Verification 2020-21: Follow-Up Webinar

Presented January 22, 2020

### Amended Tax Returns

Selected,  
Filed 1040X

Not Selected,  
Filed 1040X

Selected,  
Did Not File  
1040X

Not Selected,  
Did Not File  
1040X

Slide 48 © 2020 NASFAA



48

---

---

---

---

---

---

---

---

### Amended Tax Returns

- If student is not selected for verification, you do not need to select student for full verification
- You need only resolve income and taxes paid figures based on the amended information

Slide 49 © 2020 NASFAA



49

---

---

---

---

---

---

---

---

### Amended Tax Returns

- Contact the student or parent and collect documents needed to correct any of the affected data elements
- School can choose what documentation it accepts to make the changes, which could include:
  - The same documents required for federal verification; or
  - A signed statement explaining the changes, if school deems that to be appropriate

Slide 50 © 2020 NASFAA



50

---

---

---

---

---

---

---

---



# NASFAA's Webinar Series

## Verification 2020-21: Follow-Up Webinar

Presented January 22, 2020

### Amended Tax Returns

If student is selected for verification later, school must then request the documentation required for federal verification

Slide 51 © 2020 NASFAA



51

---

---

---

---

---

---

---

---

### Amended Tax Returns

*What documents do you need to verify or resolve IRS Request Flag "07" when the IRS corrected the tax return without requiring the tax filer to file a 1040X?*

Slide 52 © 2020 NASFAA



52

---

---

---

---

---

---

---

---

### Amended Tax Returns

Selected,  
Filed 1040X

Not Selected,  
Filed 1040X

Selected,  
Did Not File  
1040X

Not Selected,  
Did Not File  
1040X

Slide 53 © 2020 NASFAA



53

---

---

---

---

---

---

---

---



# NASFAA's Webinar Series

## Verification 2020-21: Follow-Up Webinar

Presented January 22, 2020

### Amended Tax Returns

- A combination of documents is needed to complete verification
- Must collect one of the following:
  - Any letter or notice from the IRS indicating the changes the IRS made to the individual's tax return data items; or
  - A Tax Account Transcript, which shows any amended tax data items

Slide 54 © 2020 NASFAA



54

---

---

---

---

---

---

---

---

### Amended Tax Returns

- In addition to one of the documents on previous slide, you also need one of the following:
  - Tax Return Transcript or any other tax transcript showing the tax data from the original tax return;
  - Signed copy of the tax return and applicable schedules that were filed with the IRS or other relevant tax authority; **or**
  - Unchanged IRS DRT data showing the tax data from the original tax return
- IRS Record of Account Transcript can be used by itself (without any of the items listed above) to complete verification of income data

Slide 55 © 2020 NASFAA



55

---

---

---

---

---

---

---

---

### Amended Tax Returns

Selected,  
Filed 1040X

Not Selected,  
Filed 1040X

Selected,  
Did Not File  
1040X

Not Selected,  
Did Not File  
1040X

Slide 56 © 2020 NASFAA



56

---

---

---

---

---

---

---

---



# NASFAA's Webinar Series

## Verification 2020-21: Follow-Up Webinar

Presented January 22, 2020

### Amended Tax Returns

- Contact applicant or parent and collect documents needed to correct any of the affected data elements
- School can choose what documentation it accepts to make changes, which could include:
  - Same documents required for federal verification (previously listed); or
  - Signed statement explaining the changes, if school deems that to be appropriate

Slide 57 © 2020 NASFAA



57

---

---

---

---

---

---

---

---

### Amended Tax Returns

*Does the IRS send a letter to notify the filer that the tax returns have been adjusted or corrected?*

*If so, can they submit this?*

Slide 58 © 2020 NASFAA



58

---

---

---

---

---

---

---

---

### Amended Tax Returns

- Sometimes the IRS sends a notice (e.g., CP2000 or CP3219a) to the tax filer indicating the tax return has been adjusted or corrected
  - If such a notice is received, it can be used to show the IRS made changes to the tax return
- Sometimes the IRS doesn't send such a notice (or tax filer never receives it)
  - If a notice is never received, tax filer will need to provide Tax Account Transcript or Record of Account Transcript instead

Slide 59 © 2020 NASFAA



59

---

---

---

---

---

---

---

---



# NASFAA's Webinar Series

## Verification 2020-21: Follow-Up Webinar

Presented January 22, 2020

### ► Tax Filing Status—Q&As



Slide 60 © 2020 NASFAA

60

---

---

---

---

---

---

---

---

### Scenario



Slide 61 © 2020 NASFAA

61

---

---

---

---

---

---

---

---

### Scenario—Tax Filing Status

- ISIR received for dependent student
- Unmarried parents living at the same address, but in separate residences (basement apartment)
- Each parent filed taxes as Head of Household

Slide 62 © 2020 NASFAA

62

---

---

---

---

---

---

---

---





# NASFAA's Webinar Series

## Verification 2020-21: Follow-Up Webinar

Presented January 22, 2020

### Pop Quiz—Tax Filing Status

*Is it conflicting information that both parents filed as Head of Household?*

- ☐ Yes
- ☐ No
- ☐ It Depends

Slide 63 © 2020 NASFAA



63

---

---

---

---

---

---

---

---

### Scenario—Tax Filing Status

- Usually yes, but it depends...
- It is not always true that two people living at the same address cannot provide more than half the cost of keeping up a home

Slide 65 © 2020 NASFAA



65

---

---

---

---

---

---

---

---

### Scenario—Tax Filing Status

According to IRS *Publication 17*, unmarried individuals can file as Head of Household only if they meet the following criteria:

- They are unmarried or “considered unmarried” on the last day of the year;
- They paid more than half of the cost of keeping up a home for the year; and
- A qualifying person lived with them in the home for more than half the year (except for temporary absences, such as school)
  - If qualifying person is their dependent parent, he or she doesn't have to live with them

Slide 66 © 2020 NASFAA



66

---

---

---

---

---

---

---

---



# NASFAA's Webinar Series

## Verification 2020-21: Follow-Up Webinar

Presented January 22, 2020

### Scenario—Tax Filing Status

It is different when both individuals live in separate spaces ("homes") within the same house or address

- A "home" is defined by the amount of space it occupies and how that space is used
- Two unmarried adults may live at the same house or address, have separately defined space within that house or address, and both file as Head of Household based on paying more than half the upkeep for that separately defined "home" space
  - To do so, such individuals must be able to demonstrate for tax purposes that they have exclusive use of separately defined space within the house or address

Slide 67 © 2020 NASFAA



67

---

---

---

---

---

---

---

---

### Scenario—Tax Filing Status

- Such a separation of space is clearest when there is an "in-law suite" or a separate apartment with its own entrance, bedroom, kitchen, and bathroom
- Situations involving "roommates" are more difficult to discern
  - For example, parents might live in the same home and only share the kitchen and living room, but do not share a bedroom or bathroom
  - If each individual chooses to define his or her home as half of the kitchen and living room and all of a bedroom and bathroom, then it is possible that they each pay more than half the costs of keeping up the "home" that they have separately defined within the same house or address

Slide 68 © 2020 NASFAA



68

---

---

---

---

---

---

---

---

### Scenario—Tax Filing Status

- Such a scenario is technically possible within IRS rules, but almost impossible to prove or document
- If you believe there is conflicting information, or you choose to verify tax filing status for such individuals, then you must:
  - Consider whether it is credible that the two adults have defined different households at the same address
  - Determine what documentation to collect as you proceed

Slide 69 © 2020 NASFAA



69

---

---

---

---

---

---

---

---



# NASFAA's Webinar Series

## Verification 2020-21: Follow-Up Webinar

Presented January 22, 2020

### Scenario—Tax Filing Status

- Tax filer may have to provide documentation from the IRS or a tax expert indicating he or she:
  - Filed correctly; and
  - Does not need to file an amended tax return
- If you have reason to question it, it is up to tax filer to demonstrate compliance

Slide 70 © 2020 NASFAA



70

---

---

---

---

---

---

---

---

### Tax Filing Status

*In the income filing threshold chart you showed in the previous verification webinar, you did not address self-employment income.*

*Can you please discuss this?*

Slide 71 © 2020 NASFAA



71

---

---

---

---

---

---

---

---

### Tax Filing Status

- Yes!
- First, to review, these are the income thresholds for most taxpayers:

If your filing status is...	AND at the end of 2018 you were...	THEN file a return if your gross income was at least...
Single	under 65	\$12,000
	65 or older	\$13,000
Married filing jointly***	under 65 (both spouses)	\$24,000
	65 or older (one spouse)	\$25,300
	65 or older (both spouses)	\$26,600
Married filing separately	any age	\$ 5
Head of household	under 65	\$18,000
	65 or older	\$19,600
Qualifying widow(er)	under 65	\$24,000
	65 or older	\$25,300

Slide 72 © 2020 NASFAA



72

---

---

---

---

---

---

---

---



# NASFAA's Webinar Series

## Verification 2020-21: Follow-Up Webinar

Presented January 22, 2020

### Tax Filing Status

- IRS *Publication 17* (page 8) also describes some longstanding alternative thresholds for certain taxpayers
- An individual must file taxes if:
  - Net earnings from self-employment (excluding church employee income) were \$400 or more; or
  - Church employee earnings were \$108.28 or more

Slide 73 © 2020 NASFAA

73

---

---

---

---

---

---

---

---

### Tax Filing Status

You must file a return if any of the seven conditions below apply for 2018.	
1.	You owe any special taxes, including any of the following. <ul style="list-style-type: none"><li>a. Alternative minimum tax.</li><li>b. Additional tax on a qualified plan, including an individual retirement arrangement (IRA), or other tax-favored account. But if you are filing a return only because you owe this tax, you can file <b>Form 5329</b> by itself.</li><li>c. Household employment taxes. But if you are filing a return only because you owe this tax, you can file <b>Schedule H</b> by itself.</li><li>d. Social security and Medicare tax on tips you didn't report to your employer or on wages you received from an employer who didn't withhold these taxes.</li><li>e. Write-in taxes, including uncollected social security and Medicare or RRTA tax on tips you reported to your employer or on group-term life insurance and additional taxes on health savings accounts. See the Instructions for Form 1040, Schedule 4, line 62.</li><li>f. Recapture taxes. See the Instructions for Form 1040, line 11a, and Schedule 4, lines 80b and 62.</li></ul>
2.	You (or your spouse, if filing jointly) received health savings account, Archer MSA, or Medicare Advantage MSA distributions.
3.	You had net earnings from self-employment of at least \$400.
4.	You had wages of \$108.28 or more from a church or qualified church-controlled organization that is exempt from employer social security and Medicare taxes.
5.	Advance payments of the premium tax credit were made for you, your spouse, or a dependent who enrolled in coverage through the Marketplace. You or whoever enrolled you should have received Form(s) 1095-A showing the amount of the advance payments.
6.	Advance payments of the health coverage tax credit were made for you, your spouse, or a dependent. You or whoever enrolled you should have received Form(s) 10984 showing the amount of the advance payments.
7.	You are required to include amounts in income under section 965 or you have a net tax liability under section 965 that you are paying in installments under section 965(h) or deferred by making an election under section 965(i).

Slide 74 © 2020 NASFAA

74

---

---

---

---

---

---

---

---

### Scenario

Slide 75 © 2020 NASFAA

75

---

---

---

---

---

---

---

---



# NASFAA's Webinar Series

## Verification 2020-21: Follow-Up Webinar

Presented January 22, 2020

### Scenario—Tax Filing Status

- Sally Forth is an independent student
- ISIR is selected for verification (V1)
- Marital status is single, age 25
- Sally reported she did not/was not required to file taxes
- Sally provides a 1099 showing \$8,000 in income earned driving for Uber

Slide 76 © 2020 NASFAA



76

---

---

---

---

---

---

---

---

### Pop Quiz—Tax Filing Status

*Is there conflicting information?*

- ☐ Yes
- ☐ No
- ☐ It Depends

Slide 77 © 2020 NASFAA



77

---

---

---

---

---

---

---

---

### Scenario—Tax Filing Status

- Yes, there is conflicting information that must be resolved
- Based on IRS *Publication 17*, Sally is considered self-employed if she:
  - Carries on a trade or business as a sole proprietor;
  - Is an independent contractor;
  - Is a member of a partnership; or
  - Is in business for herself in any other way

Slide 79 © 2020 NASFAA



79

---

---

---

---

---

---

---

---



# NASFAA's Webinar Series

## Verification 2020-21: Follow-Up Webinar

Presented January 22, 2020

### Scenario—Tax Filing Status

Uber's website states the following regarding tax status for drivers (emphasis added):

"As an Uber partner, **you work for yourself as an independent contractor**. Because of this, you'll receive a 1099 form each year instead of the W-2 you may have been used to getting. Unlike a traditional full-time or part-time job, Uber does not withhold taxes from your earnings. That's why the government requires you to pay income tax **and self-employment tax** every year."

Slide 80 © 2020 NASFAA



80

---

---

---

---

---

---

---

---

### Scenario—Tax Filing Status

- Although Sally earned under the usual filing threshold for single taxpayers under age 65, earnings from Uber are treated as self-employment, not wages from employment
- Her earnings of \$8,000 exceed the \$400 threshold for self-employment; therefore, Sally must file taxes

Slide 81 © 2020 NASFAA



81

---

---

---

---

---

---

---

---

### Tax Filing Status

*Can you use professional judgment (PJ) to allow a student to not amend their taxes or to waive the requirement to file taxes?*

*If "yes," is it done before or after verification?*

Slide 82 © 2020 NASFAA



82

---

---

---

---

---

---

---

---



# NASFAA's Webinar Series

## Verification 2020-21: Follow-Up Webinar

Presented January 22, 2020

### Tax Filing Status

- No
- PJ cannot be used to waive the requirement to file taxes, or to amend improperly filed taxes
- PJ cannot be used to:
  - Directly change an EFC or the EFC formula
  - Establish categories of special circumstances and apply PJ to a group or class of students
  - Waive student eligibility requirements
  - Make an independent student dependent
  - **Circumvent the law** or regulations

Slide 83 © 2020 NASFAA



83

---

---

---

---

---

---

---

---

### ► Nontax Filers—Q&As



Slide 84 © 2020 NASFAA



84

---

---

---

---

---

---

---

---

### Nontax Filers

*When someone tries but fails to obtain an IRS Verification of Nonfiling Letter, do we have to document the good-faith effort in the student's file?*

Slide 85 © 2020 NASFAA



85

---

---

---

---

---

---

---

---



# NASFAA's Webinar Series

## Verification 2020-21: Follow-Up Webinar

Presented January 22, 2020

### Nontax Filers

- Yes
- Must document the good-faith effort in student's file
  - Per 5/24/19 *Federal Register*, "If an individual is unable to obtain verification of nonfiling from the IRS or other relevant tax authority and, based upon the institution's determination, it has no reason to question the student's or family's good-faith effort to obtain the required documentation, the institution may accept a signed statement certifying that the individual attempted to obtain the verification of nonfiling from the IRS or other relevant tax authority and was unable to obtain the required documentation"
  - This is the school's determination to make alone

Slide 86 © 2020 NASFAA



86

---

---

---

---

---

---

---

---

### Nontax Filers

*Do you recommend a waiting period before accepting an alternative to the IRS Verification of Nonfiling letter?*

Slide 87 © 2020 NASFAA



87

---

---

---

---

---

---

---

---

### Nontax Filers

- ED does not specify a waiting period  
However...
- If nonfiling letter was requested online using IRS Get Transcript Online tool, should expect to download nonfiling letter immediately, so no waiting period is necessary

Slide 88 © 2020 NASFAA



88

---

---

---

---

---

---

---

---





# NASFAA's Webinar Series

## Verification 2020-21: Follow-Up Webinar

Presented January 22, 2020

### Nontax Filers

- ED does not specify a waiting period  
However...
- If nonfiling letter is requested using IRS Form 4506-T or 4506T-EZ, then tax filer should receive nonfiling letter within 10 business days after IRS receives the form
  - School can use this information to set a reasonable waiting period for these individuals (perhaps 3 weeks)

Slide 89 © 2020 NASFAA



89

---

---

---

---

---

---

---

---

### Nontax Filers

*How do you recommend we document the student attempted to get the Verification of Nonfiling Letter?*

*What due diligence is required if a nonfiler says they cannot obtain the Verification of Nonfiling Letter?*

Slide 90 © 2020 NASFAA



90

---

---

---

---

---

---

---

---

### Nontax Filers

- Beyond accepting a signed statement, neither NASFAA nor ED will recommend further documentation unless there is conflicting information
- If there is conflicting information in student's file, possible documentation might include:
  - Another signed statement explaining why there is a conflict; or
  - Any other IRS document indicating IRS is unable to provide a nonfiling letter or acceptable alternative

Slide 91 © 2020 NASFAA



91

---

---

---

---

---

---

---

---



# NASFAA's Webinar Series

## Verification 2020-21: Follow-Up Webinar

Presented January 22, 2020

### Nontax Filers

Acceptable alternatives indicating IRS is unable to provide a nonfiling letter:

- While a tax transcript or other IRS document indicating the nonfiling letter request "could not be processed" or "request could not be honored" is not equivalent to a Verification of Nonfiling Letter, it could be used to confirm the individual tried but failed to obtain the nonfiling letter
- Screen-print from the IRS website also might be used for this purpose

Slide 92 © 2020 NASFAA



92

---

---

---

---

---

---

---

---

### Scenario



Slide 93 © 2020 NASFAA

93

---

---

---

---

---

---

---

---

### Scenario—Nontax Filers

- Bert is a dependent student
- Selected by CPS for V1 verification
- Parents are married
  - Nancy filed taxes as Married Filing Separately
  - Rocky was incarcerated for the entire year, had no income, and was not included in Nancy's taxes

Slide 94 © 2020 NASFAA



94

---

---

---

---

---

---

---

---



# NASFAA's Webinar Series

## Verification 2020-21: Follow-Up Webinar

Presented January 22, 2020

### Pop Quiz—Nontax Filers

*Is verification of nonfiling required for Rocky?*

- ☐ Yes
- ☐ No
- ☐ It depends

Slide 95 © 2020 NASFAA



95

---

---

---

---

---

---

---

---

### Answer—Nontax Filers

- Yes
- Verification of nonfiling is required for Rocky
- ED guidance does not exempt an incarcerated parent from this requirement
- Incarcerated parent must be included on the FAFSA and must complete verification as any other parent does, including any required signed statements, signatures, and tax documents

Slide 97 © 2020 NASFAA



97

---

---

---

---

---

---

---

---

### ► Separation and Parent of Record—Q&As



Slide 98 © 2020 NASFAA



98

---

---

---

---

---

---

---

---



# NASFAA's Webinar Series

## Verification 2020-21: Follow-Up Webinar

Presented January 22, 2020

### Separation and Parent of Record

*For separation of income reported on a joint tax return, can we use the Income Estimator tool in FAA Access to CPS Online to calculate taxes paid?*

Slide 99 © 2020 NASFAA

99

---

---

---

---

---

---

---

---

### Separation and Parent of Record

- Yes
- According to guidance NASFAA has received from ED, the school can use the Income Estimator in FAA Access to CPS online for this purpose

Slide 100 © 2020 NASFAA

100

---

---

---

---

---

---

---

---

### Scenario

Slide 101 © 2020 NASFAA

101

---

---

---

---

---

---

---

---



# NASFAA's Webinar Series

## Verification 2020-21: Follow-Up Webinar

Presented January 22, 2020

### Scenario—Separation

- Maxwell Edison is a dependent student
- Selected for verification (V1)
- Parents filed taxes jointly
  - His father Desmond worked
  - His mother Molly did not work and had no income
- Desmond and Molly are now divorced/separated, and student now lives with Molly

Slide 102 © 2020 NASFAA



102

---

---

---

---

---

---

---

---

### Scenario—Separation

*How should the school complete verification in this situation?*

Slide 103 © 2020 NASFAA



103

---

---

---

---

---

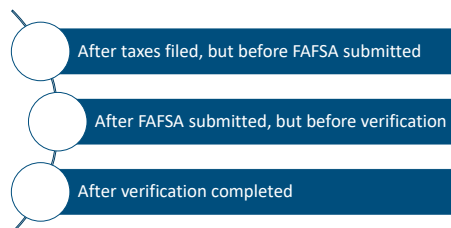
---

---

---

### Scenario—Separation

Depends upon when divorce/separation occurred



Slide 104 © 2020 NASFAA



104

---

---

---

---

---

---

---

---



# NASFAA's Webinar Series

## Verification 2020-21: Follow-Up Webinar

Presented January 22, 2020

### Scenario—Separation

Divorce/separation occurred after taxes filed, but before FAFSA submitted

- Maxwell should only include Molly's information on FAFSA (income, number in household, etc.)
- Any formal child support received from Desmond must be reported on FAFSA
  - Not required to be verified under any current tracking group
  - No documentation required unless conflicting information

Slide 105 © 2020 NASFAA



105

---

---

---

---

---

---

---

---

### Scenario—Separation

Divorce/separation occurred after taxes filed, but before FAFSA submitted

- Any informal payments from Desmond intended to support Maxwell but not part of a legal child support agreement must be reported as cash support (FAFSA Question #45)
  - Not required to be verified under any current tracking group
  - No documentation required unless conflicting information

Slide 106 © 2020 NASFAA



106

---

---

---

---

---

---

---

---

### Scenario—Separation

Divorce/separation occurred after FAFSA submitted, before verification completed

- FAFSA is considered a "snapshot" of family's financial situation as of date it was submitted
  - Parents cannot update their marital status or income and asset data after FAFSA is filed
- However, must update parent's household size and number in college (but not parent marital status, income, or assets) to be correct at time verification is completed
- School may consider using PJ to adjust parent income/marital status/assets if there are unusual circumstances warranting an adjustment

Slide 107 © 2020 NASFAA



107

---

---

---

---

---

---

---

---



# NASFAA's Webinar Series

## Verification 2020-21: Follow-Up Webinar

Presented January 22, 2020

### Scenario—Separation

Divorce/separation occurred after verification completed

- Generally, income and household information would not be updated once verification is complete
- However, under 668.55(c) a school can update household size and/or number in college after verification if it is deemed necessary to address an inequity or to reflect more accurately the applicant's ability to pay
  - Not technically professional judgment (PJ), but:
    - ◆ Would be considered unusual
    - ◆ Must be performed on a case-by-case basis
    - ◆ Must clearly document reasons for making the update

Slide 108 © 2020 NASFAA



108

---

---

---

---

---

---

---

---

### Separation and Parent of Record

*The student filed a FAFSA and reported the parents' status as married.*

*However, the school discovered the parents are separated and have been living separately for the past two years, so the FAFSA is incorrect.*

*Can the family correct the FAFSA, or should the school select them for verification and make the corrections?*

Slide 109 © 2020 NASFAA



109

---

---

---

---

---

---

---

---

### Separation and Parent of Record

- Yes
- Family can correct the FAFSA in this situation
- FAFSA is considered a snapshot of household's information as of date the FAFSA is submitted
- Updates are (generally) not allowed, but corrections are allowed

Slide 110 © 2020 NASFAA



110

---

---

---

---

---

---

---

---



# NASFAA's Webinar Series

## Verification 2020-21: Follow-Up Webinar

Presented January 22, 2020

### Separation and Parent of Record

#### Corrections

- Data elements were incorrect at the time the FAFSA was filed

#### Updates

- Data elements were correct when the FAFSA was filed
- Changed since the FAFSA was filed

Slide 111 © 2020 NASFAA

111

---

---

---

---

---

---

---

---

### Separation and Parent of Record

- School could select student for verification, obtain necessary documentation and signatures, and submit corrections on student's behalf, but this is not required
- If not, family would need to submit corrections

Slide 112 © 2020 NASFAA

112

---

---

---

---

---

---

---

---

### Separation and Parent of Record

*We have a student whose custodial parent changed from when she filed her FAFSA to when she was selected for verification.*

*Her new custodial parent is remarried.*

*Whose information do we verify and do we include the stepparent as well?*

Slide 113 © 2020 NASFAA

113

---

---

---

---

---

---

---

---





# NASFAA's Webinar Series

## Verification 2020-21: Follow-Up Webinar

Presented January 22, 2020

### Separation and Parent of Record

- Student lived primarily with Parent 1 before and up to date FAFSA was filed
- Custody changed to Parent 2 after FAFSA was filed, but before verification
- Parent 1 would be parent of record for this award year, and stepparent would not be included
- FAFSA instructions ask for parent with whom student lived most during past 12 months

Slide 114 © 2020 NASFAA



114

---

---

---

---

---

---

---

---

### Separation and Parent of Record

*The parents of a dependent student live together and are culturally married, but not legally married or common-law married.*

*Only one is a biological parent.*

*How should the school complete verification in this situation?*

Slide 115 © 2020 NASFAA



115

---

---

---

---

---

---

---

---

### Separation and Parent of Record

- It depends on laws of that particular state or nation regarding what constitutes a legal marriage
- Typically, if a couple lives together and has not been formally married, but meets the criteria in their state or country for a common-law marriage, they should be reported as married on the FAFSA
  - You do not need to further investigate unless you have reason to doubt accuracy of information that has been provided to you
- Consult your school's legal counsel if you need additional guidance about whether a particular cultural marriage would be considered valid

Slide 116 © 2020 NASFAA



116

---

---

---

---

---

---

---

---



# NASFAA's Webinar Series

## Verification 2020-21: Follow-Up Webinar

Presented January 22, 2020

### Separation and Parent of Record

*A student filed as dependent for the past several years and was selected for 2020-21 verification.*

*The school discovers the student has been married for several years through an arranged marriage and they have no intention to separate or divorce.*

*The student and spouse have little contact, and the spouse lives in another country.*

*The marriage is considered legally valid in the jurisdiction where it was performed, and is recognized by the state.*

*Should the student have filed as independent?*

Slide 117 © 2020 NASFAA

117

---

---

---

---

---

---

---

---

### Separation and Parent of Record

- Yes
- Student should have filed as independent by marriage, because the marriage is legally recognized and they are not separated for the purpose of ending the marriage

Slide 118 © 2020 NASFAA

118

---

---

---

---

---

---

---

---

### ▶ Number in Household/College— Q&As



Slide 119 © 2020 NASFAA

119

---

---

---

---

---

---

---

---



# NASFAA's Webinar Series

## Verification 2020-21: Follow-Up Webinar

Presented January 22, 2020

### Number in Household/College

*In your previous verification webinar, you included an example where a dependent student's 27-year-old sibling was included in the household as a dependent of the parents.*

*The sibling cannot answer "No" to the FAFSA dependency question, "Were you born before January 1, 1997?"*

*How can the sibling be included as a dependent and in the household size?*

Slide 120 © 2020 NASFAA



120

---

---

---

---

---

---

---

---

### Number in Household/College

- It's the law!
- Independent siblings are included in household size if the parents still provide more than half of the sibling's support during the award year covered by the FAFSA
  - Even if the sibling is over 24 years old and considered independent for Title IV purposes

Slide 121 © 2020 NASFAA



121

---

---

---

---

---

---

---

---

### Number in Household/College

- FAFSA instructions indicate applicant should include in parents' household the parents' other children, even if they do not live with the parents, if **either** of the following applies:
  - Parents will provide more than half of sibling's support between July 1 through June 30 of award year covered by FAFSA; **OR**
  - Sibling could answer "no" to all dependency status questions on FAFSA

Slide 122 © 2020 NASFAA



122

---

---

---

---

---

---

---

---



# NASFAA's Webinar Series

## Verification 2020-21: Follow-Up Webinar

Presented January 22, 2020

### Number in Household/College

*Can we include a 30-year-old sibling in number in college as long as he is listed in the household?*

Slide 123 © 2020 NASFAA



123

---

---

---

---

---

---

---

---

### Number in Household/College

- Yes
- If sibling is enrolled at least half time during the award year in an eligible program at an eligible institution, sibling also should be included in number in college
  - Even though he is treated as an independent student by the other school
- However, if sibling is self-supporting and provides more than half of his own support, sibling cannot be included in household size or number in college

Slide 124 © 2020 NASFAA



124

---

---

---

---

---

---

---

---

### Number in Household/College

- Rules are different for parents' dependents who are not student's siblings
- In order for other individuals who are **not** the parents' children or the student's siblings to be included in the parent's household size, those individuals must live with **and** receive more than half their support from the student's parent(s), and will receive more than half support for the entire award year

Slide 125 © 2020 NASFAA



125

---

---

---

---

---

---

---

---



# NASFAA's Webinar Series

## Verification 2020-21: Follow-Up Webinar

Presented January 22, 2020

### Number in Household/College

*Can we have a policy to automatically exclude all independent siblings or individuals over a certain age from household size?*

Slide 126 © 2020 NASFAA



126

---

---

---

---

---

---

---

---

### Number in Household/College

- No
- For Title IV purposes, school cannot have a policy to automatically exclude all independent siblings or other individuals over a certain age from household size
- Having an independent sibling in the parents' household size is not conflicting information by itself
- If there is other conflicting information, you must follow-up to resolve the conflict using whatever documentation you deem appropriate

Slide 127 © 2020 NASFAA



127

---

---

---

---

---

---

---

---

### Number in Household/College

- Some schools use a different methodology to determine eligibility for institutional aid
- Might have an institutional verification policy under which school verifies half support for individuals over a certain age
- Such a policy is permissible only for purposes of administering and awarding institutional aid
  - If your school has such a policy, it cannot impact student's eligibility for Title IV funds.

Slide 128 © 2020 NASFAA



128

---

---

---

---

---

---

---

---



# NASFAA's Webinar Series

## Verification 2020-21: Follow-Up Webinar

Presented January 22, 2020

### Number in Household/College

*Are we required to verify that the parent or independent student provides more than half support of other individuals listed in the household size, such as significant others, boyfriends, girlfriends, or elderly grandparents?*

*Is documentation showing more than 50 percent support required?*

Slide 129 © 2020 NASFAA



129

---

---

---

---

---

---

---

---

### Number in Household/College

- No
- Not required to verify the support level of nonrelatives or elderly grandparents who are included in household size, unless there is conflicting information
  - If there is conflicting information, you must resolve it using whatever documentation you deem appropriate

Slide 130 © 2020 NASFAA



130

---

---

---

---

---

---

---

---

### Number in Household/College

*Can we require the student to provide documentation to verify half support for other individuals in the household size?*

Slide 131 © 2020 NASFAA



131

---

---

---

---

---

---

---

---



# NASFAA's Webinar Series

## Verification 2020-21: Follow-Up Webinar

Presented January 22, 2020

### Number in Household/College

- Yes
- If your school has an institutional verification policy to select and verify half support for other individuals in household size
  - But, if that is your policy, then you must verify that information
  - Half support is difficult to prove or disprove...
    - ◆ See AskRegs Knowledgebase Q&A, "How Can We Document Half Support Is Provided For a Household Member?"

Slide 132 © 2020 NASFAA



132

---

---

---

---

---

---

---

---

### Number in Household/College

*Can an unborn child expected to be born after June 30 be included in the household if the crossover summer term is a trailer and ends after June 30?*

*Does it matter if the college's award year ends before June 30?*

Slide 133 © 2020 NASFAA



133

---

---

---

---

---

---

---

---

### Number in Household/College

- As long as the child is born before the end of the summer crossover payment period, then the child can be included in household size if the student will provide more than half support between the time of birth and the end of the summer term
- It does not matter if the school's award year ends before June 30 because it's based on how ED defines an award year, which is July 1<sup>st</sup> through June 30<sup>th</sup> of the following year

Slide 134 © 2020 NASFAA



134

---

---

---

---

---

---

---

---



# NASFAA's Webinar Series

## Verification 2020-21: Follow-Up Webinar

Presented January 22, 2020

### ► Additional Information



Slide 135 © 2020 NASFAA

135

---

---

---

---

---

---

---

---

### FUTURE Act

- Fostering Undergraduate Talent by Unlocking Resources for Education Act (FUTURE Act)
- Signed into law December 19, 2019
- Allows for direct cross-agency data sharing between IRS and ED
  - All items currently imported using DRT
  - Applicant's tax filing status
- Expected to reduce verification burden and to simplify application and income certification for income-driven repayment

Slide 136 © 2020 NASFAA

136

---

---

---

---

---

---

---

---

### FUTURE Act and Verification

- Applicant's consent is required
  - However, for FAFSA purposes consent is mandatory and will be provided by submitting the application
    - ◆ FAFSA will not be processed without applicant's (or dependent student's parent's) consent
- Tax data will be automatically imported from IRS to applicant's FAFSA

Slide 137 © 2020 NASFAA

137

---

---

---

---

---

---

---

---





# NASFAA's Webinar Series

## Verification 2020-21: Follow-Up Webinar

Presented January 22, 2020

### FUTURE Act Timeframes

- When will the new data sharing be implemented?
  - Probably not for 2020-21
  - Possibly not for 2021-22, or only partially implemented
    - ◆ ED begins development for next FAFSA processing cycle well in advance
    - ◆ Tax nonfilers are expected to be among first to benefit from the data sharing, as confirmation of nonfiling status would be imported
    - ◆ Other categories (such as married filing separately, head of household, etc.) may take longer for ED and IRS to fully implement

Slide 138 © 2020 NASFAA



138

---

---

---

---

---

---

---

---

### Signatures

*So, if the parents filed Married Filing Jointly, we don't need both parents' signatures on the copy of the tax return?*

*We just need one signature or the tax preparer's information?*

Slide 139 © 2020 NASFAA



139

---

---

---

---

---

---

---

---

### Signatures

- Yes
- When the parents' joint tax return is used, it must:
  - Be signed by at least one parent (not both); or
  - Contain the appropriate tax preparer information

Slide 140 © 2020 NASFAA



140

---

---

---

---

---

---

---

---



# NASFAA's Webinar Series

## Verification 2020-21: Follow-Up Webinar

Presented January 22, 2020

### Signatures

*Does a tax return have to be signed if a preparer's Employer Identification Number (EIN) is listed?*

Slide 141 © 2020 NASFAA



141

---

---

---

---

---

---

---

---

### Signatures

- If completed by a tax preparer or tax professional, under 668.57(a)(7) the school can accept a copy of the tax return that:
  - Includes the tax preparer's Social Security Number (SSN), EIN, or PTIN; **and**
  - Has been signed, stamped, typed, or printed with the name and address of the preparer of the return
- A tax return simply stamped with the name of an accounting firm (e.g., "H&R Block") is not acceptable
  - It must contain information necessary to identify the individual who actually completed or prepared the tax return

Slide 142 © 2020 NASFAA



142

---

---

---

---

---

---

---

---

### Nontax Filers

*Are there exceptions or alternatives to collecting a Verification of Nonfiling Letter?*

Slide 143 © 2020 NASFAA



143

---

---

---

---

---

---

---

---



# NASFAA's Webinar Series

## Verification 2020-21: Follow-Up Webinar

Presented January 22, 2020

### Nontax Filers

- Yes
- Confirmation of nonfiling from the IRS or other relevant tax authority still is a verification requirement for nontax filers for the 2020-21 award year
- There are alternatives depending on which of the following categories the individual falls into

Slide 144 © 2020 NASFAA



144

---

---

---

---

---

---

---

---

### Categories of Nontax Filers

Attempted but Failed to Obtain a Verification of Nonfiling Letter from the IRS or Other Relevant Tax Authority

Verification of Nonfiling Alternative Provided by the IRS

Cannot Request a Verification of Nonfiling Letter from the IRS (e.g., Undocumented Individuals)

Residents of Foreign Countries

Slide 145 © 2020 NASFAA



145

---

---

---

---

---

---

---

---

### Nontax Filers

Attempted but Failed to Obtain a Verification of Nonfiling Letter from the IRS or Other Relevant Tax Authority

Verification of Nonfiling Alternative Provided by the IRS

Cannot Request a Verification of Nonfiling Letter from the IRS (e.g., Undocumented Individuals)

Residents of Foreign Countries

Slide 146 © 2020 NASFAA



146

---

---

---

---

---

---

---

---



# NASFAA's Webinar Series

## Verification 2020-21: Follow-Up Webinar

Presented January 22, 2020

### Nontax Filers

If school has no reason to question the individual's good-faith effort to obtain the required documentation, the school may accept as a replacement for verification/confirmation of nonfiling:

- A signed statement certifying that the individual:
  - Attempted to obtain the verification or confirmation of nonfiling from the IRS or other tax authority and was unable to obtain it; and
  - Has not filed and is not required to file an income tax return for the tax year being verified; and
  - Listing the sources and amounts from each source of any income earned from work by the individual for the tax year being verified; and
- A copy of IRS Form W-2, or an equivalent document, for each source of employment income received by the individual for the tax year being verified

Slide 147 © 2020 NASFAA



147

---

---

---

---

---

---

---

---

### Nontax Filers

Attempted but Failed to Obtain a Verification of Nonfiling Letter from the IRS or Other Relevant Tax Authority

Verification of Nonfiling Alternative Provided by the IRS

Cannot Request a Verification of Nonfiling Letter from the IRS (e.g., Undocumented Individuals)

Residents of Foreign Countries

Slide 148 © 2020 NASFAA



148

---

---

---

---

---

---

---

---

### Nontax Filers

- In some cases, an individual will receive an alternative document, even after requesting a nonfiling letter from the IRS
- Any IRS document is acceptable if it is dated on or after 10/1/19 and clearly indicates the IRS does not have a tax return record from the individual for the tax year being verified, including but not limited to:
  - IRS Tax Return Transcript or Tax Account Transcript with a message indicating "no record of return filed" or "no transcript on file" for the individual for the tax year;
  - IRS transcript request that comes back with a status of "requested data not found"; or
  - IRS Form 13873 clearly stating that the form is provided as verification of nonfiling, or stating that the IRS has no record of a tax return for the individual for the tax year

Slide 149 © 2020 NASFAA



149

---

---

---

---

---

---

---

---



# NASFAA's Webinar Series

## Verification 2020-21: Follow-Up Webinar

Presented January 22, 2020

### Nontax Filers

There are instances when a tax transcript or other IRS document contains a message indicating the request "could not be processed" or the "request could not be honored"

- Such documents are not acceptable as verification of nonfiling
- Individual should follow IRS instructions for re-requesting the IRS Verification of Nonfiling Letter

Slide 150 © 2020 NASFAA



150

---

---

---

---

---

---

---

---

### Nontax Filers

Attempted but Failed to Obtain a Verification of Nonfiling Letter from the IRS or Other Relevant Tax Authority

Verification of Nonfiling Alternative Provided by the IRS

Cannot Request a Verification of Nonfiling Letter from the IRS (e.g., Undocumented Individuals)

Residents of Foreign Countries

Slide 151 © 2020 NASFAA



151

---

---

---

---

---

---

---

---

### Nontax Filers

- When an individual living in the U.S. does not have a SSN, an ITIN, or an EIN, he or she is unable to obtain a Verification of Nonfiling Letter from the IRS
- If their income is **below** the IRS filing threshold, these individuals do not need a verification of nonfiling letter and instead must submit:
  - A signed and dated statement:
    - ◆ Certifying individual does not have SSN, ITIN, or EIN, and
    - ◆ Listing sources and amounts of earnings, other income, and resources, that supported the individual for the tax year; and
  - If applicable, a copy of the W-2 for each source of employment income received for the tax year, or equivalent document

Slide 152 © 2020 NASFAA



152

---

---

---

---

---

---

---

---



# NASFAA's Webinar Series

## Verification 2020-21: Follow-Up Webinar

Presented January 22, 2020

### Nontax Filers

- If the undocumented individual's income **meets or exceeds** the IRS filing threshold, that individual must file a tax return
- Immigrants are not exempt from tax filing
- Alien is anyone who is not a U.S. citizen or national
  - Resident alien is one who either is a permanent resident or has resided in U.S. for a specific minimum amount of time (has met the substantial presence test), and their income generally is subject to tax in the same manner as U.S. citizens' (they file 1040)
  - All others are nonresident aliens, who must file Form 1040NR or 1040NR-EZ

Slide 153 © 2020 NASFAA



153

---

---

---

---

---

---

---

---

### Nontax Filers

- Immigrants who do not have an SSN and are unable to get one can apply with the IRS for an ITIN
  - ITIN is only for tax purposes, and does not authorize a person to work, endorse legal status, or entitle taxpayer to the earned income credit or Social Security benefits
  - ITIN cannot be used in place of SSN on the FAFSA

Slide 154 © 2020 NASFAA



154

---

---

---

---

---

---

---

---

### Nontax Filers

- Cannot complete verification for anyone who is required to, but did not, file a tax return
  - Student in this situation will remain ineligible for Title IV aid until the applicable tax filer's status changes to filed and he or she submits the required tax documents to complete verification
- See the IRS's *Publication 519*, U.S. Tax Guide for Aliens at [www.irs.gov](http://www.irs.gov) for more information

Slide 155 © 2020 NASFAA



155

---

---

---

---

---

---

---

---



# NASFAA's Webinar Series

## Verification 2020-21: Follow-Up Webinar

Presented January 22, 2020

### Nontax Filers

Attempted but Failed to Obtain a Verification of Nonfiling Letter from the IRS or Other Relevant Tax Authority

Verification of Nonfiling Alternative Provided by the IRS

Cannot Request a Verification of Nonfiling Letter from the IRS (e.g., Undocumented Individuals)

Residents of Foreign Countries

Slide 156 © 2020 NASFAA

156

---

---

---

---

---

---

---

---

### Nontax Filers

- If the individual lives in a foreign country that does not provide a Verification of Nonfiling Letter or confirmation of nonfiling from the relevant tax authority, or if the individual is unable to obtain the documentation, the individual may provide a signed and dated statement indicating either that:
  - Taxing authority does not provide such documentation; or
  - Individual was unable to obtain the documentation after contacting the taxing authority

Slide 157 © 2020 NASFAA

157

---

---

---

---

---

---

---

---

### Nontax Filers

- This statement can be combined with the required signed and dated statement or verification worksheet certifying:
  - Individual has not filed and is not required to file a tax return for 2018 tax year; and
  - Each source of income earned from work for 2018 tax year, along with the amount of income from each source

Slide 158 © 2020 NASFAA

158

---

---

---

---

---

---

---

---



# NASFAA's Webinar Series

## Verification 2020-21: Follow-Up Webinar

Presented January 22, 2020

### Separation and Parent of Record

*Does NASFAA or ED have a "proration tool" to separate out parent income due to divorce or death that schools can use?*

Slide 159 © 2020 NASFAA

159

---

---

---

---

---

---

---

---

### Separation and Parent of Record

- Yes!
- NASFAA's Member-Generated Content Library provides sample calculation worksheets that were submitted by financial aid administrators

Slide 160 © 2020 NASFAA

160

---

---

---

---

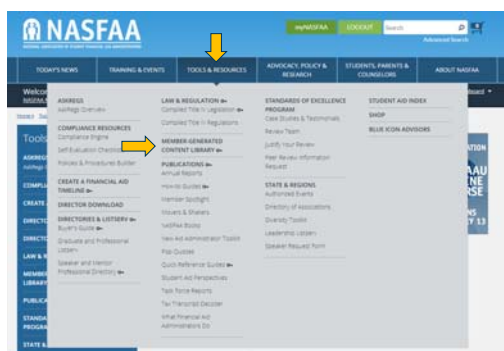
---

---

---

---

### Separation and Parent of Record



Slide 161 © 2020 NASFAA

161

---

---

---

---

---

---

---

---





# NASFAA's Webinar Series

## Verification 2020-21: Follow-Up Webinar

Presented January 22, 2020

### Separation and Parent of Record

#### Member-Generated Content Library

The samples and templates below are free for NASFAA members to use & adapt for their own institution's needs. All content has been submitted by NASFAA members at a variety of institution types & sizes.

- Compliance Officer Position Descriptions
- Consortium Agreement Samples
- Exceptionally Low Income Verification Form Samples
- Financial Aid Calendar Templates
- Interview Questions
- Loan Disbursement Notification Samples
- Organization Chart Samples
- Perkins Disclosures Templates
- Position Descriptions
- Unaccompanied Homeless Youth Determination Checklist Templates
- ➔ Worksheets for Separating Income on Joint Tax Returns

Slide 162 © 2020 NASFAA

162

---

---

---

---

---

---

---

---

### Number in Household

*Regarding household size and half support, if documentation is requested as part of the verification process and is not received, can the "other person" be removed from the household without any further action or documents requested?*

Slide 163 © 2020 NASFAA

163

---

---

---

---

---

---

---

---

### Number in Household

- No
- In this situation, the school selected this item (half support) for institutional verification, resolution is required, and the item remains unresolved
  - Student listed on a verification worksheet or written statement that the individual was included in the student's/parent's household
  - School's verification policy required documentation showing half support, which was not provided
- Student needs to resolve that discrepancy, presumably by either providing the requested supporting documentation, or a written statement indicating the individual was initially reported in the household by mistake

Slide 164 © 2020 NASFAA

164

---

---

---

---

---

---

---

---



# NASFAA's Webinar Series

## Verification 2020-21: Follow-Up Webinar

Presented January 22, 2020

### Conflicting Information

*Is it conflicting information if a student has work-study earnings that were not reported as need-based earnings on the FAFSA?*

Slide 165 © 2020 NASFAA



165

---

---

---

---

---

---

---

---

### Conflicting Information

- It depends on whether the work-study position was awarded based on student's financial need
- If school has documentation the student received the position based on financial need (e.g., Federal Work-Study), it would be conflicting information that must be resolved
- If school has information the student's financial need was not considered in placing the student in the position, there is no conflicting information

Slide 166 © 2020 NASFAA



166

---

---

---

---

---

---

---

---

### Scenario—Conflicting Information

- Jo Ann is selected for V1 verification
- Her ISIR shows her as independent because she answered "yes" to supporting a child
- She is 22 years old and unmarried
- Verification documents show that she lives with her significant other
- Can Jo Ann be treated as an independent student?

Slide 167 © 2020 NASFAA



167

---

---

---

---

---

---

---

---



# NASFAA's Webinar Series

## Verification 2020-21: Follow-Up Webinar

Presented January 22, 2020

### Answer—Conflicting Information

- It depends
- Jo Ann is independent if she provides over 50% financial support for the child
- If Jo Ann does not provide over 50% financial support for the child, she would be considered dependent

Slide 168 © 2020 NASFAA



168

---

---

---

---

---

---

---

---

### Answer—Conflicting Information

- A student under 24 claiming a child as a dependent is not conflicting information in and of itself
- However, other information may be revealed through the verification process that could be conflicting
  - For example, it may become clear that the significant other, not the student, provides over 50% support for the child

Slide 169 © 2020 NASFAA



169

---

---

---

---

---

---

---

---

### Conflicting Information

*Upon making the student independent due to correcting a misreported marital status of single, the student's expected family contribution (EFC) increased because of the spouse's income.*

*This reduced the student's Federal Pell Grant eligibility.*

*Does the school need to recalculate eligibility for prior award years?*

Slide 170 © 2020 NASFAA



170

---

---

---

---

---

---

---

---



# NASFAA's Webinar Series

## Verification 2020-21: Follow-Up Webinar

Presented January 22, 2020

### Conflicting Information

- Yes
- Based on the effective date of the student's marital status, prior award years may need to be recalculated as well
- Any overpayments must be resolved according to the rules for overpayments for which the student is responsible
  - Student is liable because of misreported marital status
- PJ cannot be used to make an otherwise independent student dependent

Slide 171 © 2020 NASFAA



171

---

---

---

---

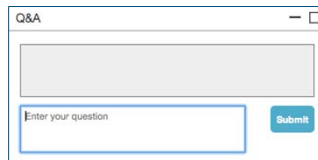
---

---

---

---

### Submit Your Questions



Slide 172 © 2020 NASFAA



172

---

---

---

---

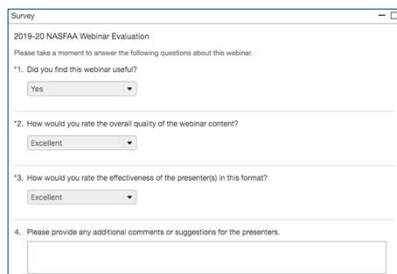
---

---

---

---

### Complete the Survey



Slide 173 © 2020 NASFAA



173

---

---

---

---

---

---

---

---



# NASFAA's Webinar Series

## Verification 2020-21: Follow-Up Webinar

Presented January 22, 2020

**Tune In Next Time!**

**Financial Literacy**  
February 12, 2020  
2:00 p.m. ET

**Enrollment Management  
for Financial Aid Administrators**  
March 11, 2020  
2:00 p.m. ET

Slide 174 © 2020 NASFAA

174

---

---

---

---

---

---

---

---

**2019-20 Course Schedule**

Student Eligibility – 9/9/2019  
Return of Title IV Funds – 10/1/2019  
Verification – 10/21/2019  
Overview of Financial Aid Programs – 11/5/2019  
Verification – 1/13/2020  
Administrative Capability – 2/11/2020  
Need Analysis/Professional Judgment – 3/2/2020  
Cost of Attendance – 3/31/2020  
Cash Management – 5/4/2020

Slide 175 © 2020 NASFAA

175

---

---

---

---

---

---

---

---

**NASFAA COMPLIANCE ENGINE**  
YOUR NEXT-GENERATION  
**ONLINE TOOL**

Powering efficiency, collaboration,  
and accountability

**NOW AVAILABLE!**

176

---

---

---

---

---

---

---

---



# NASFAA's Webinar Series

## Verification 2020-21: Follow-Up Webinar

Presented January 22, 2020



**LEAD  
THE WAY  
BECOME A  
CFAA!**



[Learn More](#)

### CFAA Testing Window Opens Soon

Schedule today and become a CFAA!

October 7-21, 2019  
December 9-23, 2019  
**February 10-24, 2020**  
April 6-20, 2020  
June 1-15, 2020



177

---

---

---

---

---

---

---

---

## Thank you for joining us!

Slide 178 © 2020 NASFAA



178

---

---

---

---

---

---

---

---



**NASFAA**  
NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS

179

---

---

---

---

---

---

---

---

# Most Frequently Asked Questions from NASFAA's Webinar Verification 2020-21: Extended Edition November 13, 2019



The following are answers to the most frequently asked questions presented during the webinar. You may search or browse the [AskRegs Knowledgebase](#) for answers to any follow-up questions you may have and/or submit them as AskRegs cases. Many answers already exist in the Knowledgebase.

Question	Answer
<b>Automatic Zero Expected Family Contribution (Auto Zero EFC)</b>	
1. Regarding the Automatic Zero EFC scenario on slide 15: If the student had indicated in this scenario that they did or will file a tax return but reported all zeroes or blanks, isn't that conflicting information? What if the student indicates income on the Dependent Verification Worksheet? Can we still verify the student's information in this scenario?	<p>No. In this scenario, the student is a dependent student and qualifies for the Auto Zero EFC based on the parent's income level and receipt of Supplemental Nutrition Assistance Program (SNAP) benefits. Assuming the Free Application for Federal Student Aid (FAFSA) was completed online, the skip-logic would not have allowed the student to complete any information and it would be blank. Even if the student had completed a paper FAFSA and indicated all zeroes for their income and asset information, this would not be conflicting information. Likewise, if the dependent student indicated student income on the verification worksheet, this would not be conflicting information. The dependent student's information is not used in the EFC calculation at all.</p> <p>Also, according to guidance NASFAA has received from the U.S. Department of Education (ED), when the student or parent qualifies for the Auto Zero EFC and uses the Internal Revenue Service Data Retrieval Tool (IRS DRT), the Central Processing System (CPS) blanks out any data that transferred for those "unnecessary" fields (which include taxes paid and the additional financial information and untaxed income fields). This happens even if the IRS Request Flag is "02." As discussed during the webinar (slide 18), only certain data elements need to be verified for an Auto Zero EFC qualifier. The blanked-out data elements are not necessary for the EFC calculation and they are not required to be verified, regardless of the Verification Tracking Group. The blanks are not considered conflicting information.</p> <p>Yes, you can still verify the student's income information in this dependent student scenario; however, you are not required to verify it <b>and it makes no difference if you do</b>. You are only required to verify the parents' adjusted gross income (AGI) if the parent is a tax filer or income earned from work if the parent is a nontax filer. You also have to verify the student's high school completion status and identity/Statement of Educational Purpose—nothing else.</p> <p>For more information on the Auto Zero EFC calculation, reference the <a href="#">EFC Formula Guide</a>.</p>
2. If, during verification, you find the dependent student's parent or the independent student is not actually eligible for the Auto Zero EFC (e.g., income exceeds the \$26,000 threshold), is that conflicting information that would require verification?	<p>Yes. If at any time you find the independent student no longer qualifies for the Auto Zero EFC, then you will need to complete verification of the student and collect his, her, or their income information. The same is true for the dependent student's parents.</p>

Question	Answer
<p>3. If the dependent student's parent did not work or file taxes, do we need to get a Verification of Nonfiling Letter for the parent if the student qualifies for the Auto Zero EFC? The student is selected for verification in V1 (or V5).</p>	<p>Yes. Anytime income earned from work is required to be verified for a nontax filer in any tracking group, the verification of nonfiling requirement applies. Because you must verify income earned from work for an Auto Zero EFC qualifier, the parent in this scenario must provide the IRS Verification of Nonfiling Letter or other confirmation of nonfiling <b>even if he or she had zero income and did not file taxes</b>. The same is true for the independent student who is a nontax filer.</p> <p>When selected for verification of income earned from work, an IRS Verification of Nonfiling Letter or other confirmation of nonfiling from the relevant tax authority is required for the following:</p> <ul style="list-style-type: none"> <li>• Each parent who did not file a tax return when the student is a dependent student; and</li> <li>• The independent student and spouse if they are nontax filers.</li> </ul> <p>Along with the Verification of Nonfiling Letter or confirmation of nonfiling, the parent or independent student nonfiler also must provide:</p> <ul style="list-style-type: none"> <li>• A signed verification worksheet or written statement certifying for the tax year that the individual has not filed and is not required to file a tax return and listing the sources and amounts of income earned from work; <b>and</b></li> <li>• A copy of a W-2 or equivalent document for each source of employment income.</li> </ul>
<b>Tax Transcripts</b>	
<p>4. How does a school verify that a student or parent tried to get the Tax Return Transcript or acceptable alternative tax transcript? Do families have to provide proof that they have tried to request a tax transcript or to use the IRS DRT?</p>	<p>You are not required to verify that the student or parent tried to get the tax transcript. A signed copy of the tax return (with applicable schedules) is acceptable to complete verification without any proof that the student or parent attempted to get a tax transcript first.</p> <p>The student or parent always can choose not to use the IRS DRT, so schools cannot require the student or parent to use the DRT. Therefore, the student or parent never has to prove he or she tried to use the DRT before you accept a tax transcript or copy of the tax return (with applicable schedules).</p>
<p>5. Can the student or parent use the Income Verification Express Service (IVES) to request tax transcripts, or must the school do it on behalf of the student or parent? Do we need the student's and/or parent's permission to request the Tax Return Transcript on their behalf?</p>	<p>The student or parent does not make the tax transcript request using IVES—the school requests the tax transcript on behalf of the student and/or parent. To initiate the request, the tax filer completes IRS Form 4506T or 4506T-EZ, which the school then submits to the IRS. This counts as the tax filer's consent, which is required.</p> <p>This is a primary reason to consider using the IVES. The school could choose to use IVES for all students who are selected for verification and who must provide a Tax Return Transcript to complete verification, or the school could choose to use IVES only when the student or parent is having difficulty getting the tax transcript. The Tax Return Transcript generally is delivered to the school's IVES mailbox within two to three business days.</p> <p>It is the school that chooses to sign up for IVES using the <a href="#">IRS e-Services platform</a>. To participate in the IVES program, the school will need to register and identify employees to act as agents to receive electronic transcripts on the school's behalf.</p>



Question	Answer
5. (continued)	There is a \$2 fee per transcript request. Schools cannot require students or parents to use the IVES or pass along the \$2.00 IVES fee to students or parents. This is a fee that the school must pay if it chooses to use IVES.
<b>Copies of Tax Returns with Schedules</b>	
6. Are we required to request a Tax Return Transcript before accepting a signed copy of the tax return (with applicable schedules)? Must a student first attempt to get a Tax Return Transcript before providing a signed copy of the tax return?	<p>No. You are not required to request a Tax Return Transcript before requesting or accepting a signed copy of the tax return with applicable schedules (IRS Schedules 1, 2, and/or 3). The student or parent is not required to first attempt to obtain a Tax Return Transcript before providing a signed copy of the tax return. And, you are not required to confirm that the student tried to get a Tax Return Transcript before you accept a signed copy of the tax return.</p> <p>Prior to the webinar, NASFAA asked ED if schools can require a Tax Return Transcript even if a signed copy of the tax return is provided. As of the webinar air date, ED had not provided a definitive answer. However, since the webinar, ED posted the following to the <a href="#">Program Integrity website</a> on November 22, 2019:</p> <p>“DS-Q3. May an institution require an applicant selected for verification by the Department to submit a tax transcript and only accept a signed copy of the income tax return if the applicant is unable to obtain the tax transcript?</p> <p>DS-A3. An institution may request a copy of a tax return transcript in lieu of a signed copy of an income tax return but not require it. However, if an institution has concerns about the validity of the income tax return submitted, it may require a tax return transcript or any other documentation specified in the annual <i>Federal Register</i> notice. The institution must document the reason why the income tax return was not acceptable. (Sections 668.54(a), 668.56 and 668.57)”</p>
7. Should we request a signed copy of the 1040 and all three schedules—Schedules 1, 2, and 3?	<p>If you are requesting a signed copy of the tax return as part of your verification documentation communication to the student or parent, it is probably a good practice to request a signed copy of the tax return with all three schedules up-front. Then, once you have received the 1040, you can use it to determine if you have received all of the schedules you need to complete verification. Use the guidance provided in the webinar (slides 47 to 50) to make this determination.</p> <p>This way, you are likely to have fewer follow-up requests than if you just requested a copy of the 1040 up-front and then waited to receive it before requesting schedules.</p> <p>See also the <a href="#">Tax Transcript Decoder</a> under Tools &amp; Resources on the NASFAA website.</p>

Question	Answer
<p>8. I understand that the Schedule 1 question is not required to be verified. However, since the 2020-21 FAFSA became available, when we submit the necessary corrections via FAA Access for verification, dependency overrides, amended tax returns, resolving C-Codes 400/401, etc., FAA Access requires a response to the question, "Did you file a Schedule 1?" if it was left blank on the FAFSA. It also requires an answer to the dislocated worker question, if left blank. This forces us to collect additional information from the student or parent, so we can accurately answer the question(s) that FAA Access is requiring. Please clarify.</p>	<p>NASFAA was unaware of this issue until it was raised during the webinar. NASFAA reached out to ED. ED informed us that "the Schedule 1 and Dislocated Worker issues were known and were fixed the weekend of November 16th. Schedule 1 and Dislocated Worker responses should only be required when AGI is below \$50,000 and "Don't know" is one of the responses. Otherwise these questions can be blank." Rather than requesting a tax return or Schedule 1, you can simply enter the response of "Don't know" to the Schedule 1 question. A "Don't know" response is treated like a "Yes," so the student does not qualify for the Automatic Zero EFC.</p> <p>Please contact <a href="#">CPS/SAIG Technical Support</a> directly if you are experiencing other issues of this nature after November 16, 2019.</p>
<p>9. If a parent did not report Education Credits on the FAFSA, but provided a Schedule 3 that included an Education Credit are we required to make a correction to the FAFSA to include the Education credit?</p>	<p>Yes. That is conflicting information that must be resolved. Schedule 3 both causes the conflict and resolves the conflict.</p>
<p>10. I have heard conflicting guidance on tax return signatures. Would an acceptable signature include a typed Preparer Tax Identification Number (PTIN) from a preparer? Or, does the tax return <b>always</b> have to have the taxpayer's handwritten signature for it to be acceptable?</p> <p>Does a tax return have to be signed if a preparer's Employer Identification Number (EIN) number is listed?</p> <p>Are you saying you can accept a copy of the student's tax return with just the spouse's signature (but not the student's)?</p>	<p>The copy of the tax return must be signed by at least one of the tax filer's, <b>or</b> it must contain the necessary tax preparer information. It's one or the other, not both.</p> <p>When the student's tax return is used, it must be signed by the student <b>or</b> spouse, <b>or</b> it must contain the tax preparer's information below. This means you can accept a copy of the student's tax return with just the spouse's signature on it. When the parent's tax return is used, it must be signed by at least one parent (<b>not both</b>), <b>or</b> it must contain the tax preparer's information below.</p> <p>If completed by a tax preparer or tax professional, under <a href="#">34 CFR 668.57(a)(7)</a>, the school can accept a copy of the tax return that:</p> <ul style="list-style-type: none"> <li>• Includes the tax preparer's Social Security Number (SSN), EIN, <b>or</b> PTIN; <b>and</b></li> <li>• Has been signed, stamped, typed, <b>or</b> printed with the name and address of the preparer of the return.</li> </ul> <p>A tax return simply stamped "H&amp;R Block", for example, is not acceptable; it must contain the information necessary to identify the individual who actually completed or prepared the tax return.</p>

Question	Answer
<p>10. (continued)</p> <p>So, if the parents filed married filing jointly, we don't need both parents' signatures on the copy of tax return? We just need one signature or the tax preparer's information?</p>	<p>Page AVG-36 of the <a href="#">2019-20 FSA Handbook</a> contains a signature chart showing ED's long-standing guidance which permits either the signature of one of the tax filers or the tax preparer's information. See also page AVG-83.</p>
<p>11. If the tax return is electronically filed (e-filed), can the taxpayer electronically sign the 1040? Or, do they need to re-sign the tax return with a "wet" or copied/faxed signature?</p>	<p>According to page AVG-83 of the <a href="#">2019-20 FSA Handbook</a>, "You can also accept an electronic copy of a return that was electronically signed if your school's process for accepting such signatures complies with the Electronic Signatures in Global and National Commerce (ESIGN) Act. But a signature on Form 8879, the IRS e-file Signature Authorization, is not an acceptable substitute for a signature on the tax return."</p> <p>If in doubt, get a "wet" handwritten signature on the copy of the tax return. It can be either:</p> <ul style="list-style-type: none"> <li>• A copy of the tax return that was signed and then photocopied or scanned before being sent to the school; or</li> <li>• A copy of the tax return that was printed, signed and then submitted to the school by fax, PDF, in-person, or by mail.</li> </ul> <p>Any questions about the E-Sign Act and whether your process complies with it should be directed to your school's information technology staff and/or legal counsel (not ED nor NASFAA).</p>
<p>12. For verification purposes, does the signed copy of the tax return need to have a date indicating when it was signed? Does the date the tax return was filed matter?</p>	<p>No and no.</p>
<b>Verification of Nonfiling</b>	
<p>13. What if an individual orders a Tax Return Transcript instead of a Verification of Nonfiling Letter and the transcript states "no tax record" or "no record of return filed?" Would that not be the same as a Verification of Nonfiling Letter? Can we accept it in place of a nonfiling letter?</p> <p>In the past when nontax filers have requested a tax return through the mail option, they receive a letter stating that no record was found for the specific tax year. Is that still an option and can we use that instead of the actual Verification of Nonfiling Letter from the IRS?</p>	<p>Yes. See <i>Documents Acceptable for Completing Verification</i> on page 74 of the webinar handout. Acceptable alternatives to the IRS Verification of Nonfiling Letter include, but are not limited to:</p> <ul style="list-style-type: none"> <li>• An IRS Tax Return Transcript or Tax Account Transcript indicating "no record of return filed" or "no transcript on file" for the tax year;</li> <li>• Any version of IRS Form 13873 clearly stating it is provided as verification of nonfiling, or stating the IRS has no record of a tax return for the tax year; or</li> <li>• Any other IRS document if it clearly indicates the IRS does not have a tax return record from the individual for the tax year.</li> </ul> <p>Reference the <a href="#">February 23, 2017 Electronic Announcement</a>, "Verification - IRS Documentation Requests, Uses, and Messaging."</p>

Question	Answer
<p>14. When someone tries but fails to obtain an IRS Verification of Nonfiling Letter, do we have to document the good-faith effort in the students file?</p> <p>How do you recommend we document the student attempted to get the Verification of Nonfiling Letter? Do you recommend a waiting period?</p> <p>What due diligence do I have to do for a nonfiler who says he or she cannot get the Verification of Nonfiling Letter from the IRS?</p>	<p>Yes, you do have to document the good-faith effort in the student's file. According to the <a href="#">May 24, 2019 Federal Register</a>, "If an individual is unable to obtain verification of nonfiling from the IRS or other relevant tax authority and, based upon the institution's determination, it has no reason to question the student's or family's good-faith effort to obtain the required documentation, the institution may accept a signed statement certifying that the individual attempted to obtain the verification of nonfiling from the IRS or other relevant tax authority and was unable to obtain the required documentation." You will note that this is the school's determination to make and that there is no specified waiting period.</p> <p>That having been said, if the tax filer requested the nonfiling letter online using the IRS Get Transcript Online tool, they should expect to download the nonfiling letter immediately, so no waiting period would be necessary. If the nonfiling letter is requested using IRS Form 4506-T or 4506T-EZ, then the tax filer should receive the nonfiling letter within 10 business days after the IRS receives the form, so you can use this information to set an appropriate waiting period for these individuals (maybe three weeks). This is entirely up to the school.</p> <p>Beyond accepting a signed statement, neither NASFAA nor ED will recommend further documentation unless there is conflicting information.</p> <p>If there is conflicting information in the student's file, you might consider requesting a signed statement explaining why there is a conflict. You also might accept any other IRS document if it indicates the IRS is unable to provide a nonfiling letter or acceptable alternative. While a tax transcript or other IRS document indicating the nonfiling letter request "could not be processed" or "request could not be honored" is not equivalent to a Verification of Nonfiling Letter, they could be used to confirm the individual tried but failed to obtain the nonfiling letter. A print-screen from the IRS website also might be used for this purpose.</p> <p>Remember, there are other documentation requirements for a nontax filer beyond the nonfiling letter. There also are acceptable alternatives to a nonfiling letter. See page 74 of the webinar handout, <i>Documents Acceptable for Completing Verification</i>.</p>
<p>15. Slide 62 indicates a nonfiling letter is not required from a dependent student but then indicates one is required even if there is no work or zero income. Please clarify.</p>	<p>Slide 62 expands on the overall concept of a nonfiling letter for nontax filers. The first three bullets address the fact that the dependent student does not have to provide a nonfiling letter unless the school requests it to resolve conflicting information or the dependent student filed a tax extension. In all other cases when a nontax filer parent, independent student, or independent student's spouse is being verified, the nonfiling letter is required even if the parent, independent student, or independent student's spouse did not work and had no income. It is just collected to confirm that the individual did not file a tax return.</p>
<p>16. For a nontax filer, can an IRS Wage and Income Transcript be used in place of a W-2?</p>	<p>Yes. The IRS Wage and Income Transcript (also called the Wage and Tax Statement) can be used in place of a W-2 form to verify wages and income for a nontax filer in any circumstances, not just when the individual cannot locate his or her W-2. See Dear Colleague Letter <a href="#">GEN-15-11</a>.</p>

Question	Answer
<b>Tax Extensions</b>	
<p>17. Why is proof of a tax filing extension required? How could you proceed with verification without tax information?</p>	<p>This is an exception specifically required in the verification regulations—<a href="#">668.57(a)(3) and (4)</a>. The proof of a tax filing extension beyond six months allows verification to be completed with the alternative documentation instead of waiting for the tax return to be filed.</p> <p>For an individual with a valid extension, verification of the income and tax information is completed with W-2s (or equivalents) for each source of income, and if self-employed, a signed written statement certifying the amount of AGI and tax paid for the tax year.</p> <p>If the student or parent provides all of the required documents listed on slide 67, the school <b>must proceed with verification</b> using these documents, and cannot wait until the tax return is filed and available. There is no federal requirement that the tax filer later provide the tax return to the school once it is filed. However; the school can have a policy to request IRS DRT, a tax transcript, or a signed copy of the tax return once it is filed. Then, if the school receives it, the school must re-verify the information.</p>
<b>Amended Tax Returns</b>	
<p>18. Are we required to verify all Institutional Student Information Records (ISIRs) with IRS Request Flag “07” or only those ISIRs selected for verification by the CPS?</p> <p>Can you go into more depth on why we’re required to follow up on IRS Request Flag “07” regardless of verification selection?</p> <p>On slide 74, I think I heard David say you have to hunt for whether it was the parent or the student who has IRS Request Flag “07.” Why? The flags are individual and very easily discerned on the ISIR. Maybe I misheard him or didn’t understand what he was talking about. Thanks for any clarification.</p>	<p>IRS Request Flag “07” must be resolved regardless of whether the student is selected for verification by CPS or the school. IRS Request Flag “07” is set when either of the following is found to be true during the IRS DRT process:</p> <ul style="list-style-type: none"> <li>• The IRS determined that the student or parent filed a 1040X amended tax return with the IRS; <u>or</u></li> <li>• The IRS corrected the tax return data without requiring the tax filer to file an IRS Form 1040X.</li> </ul> <p>If either of these is true, IRS Request Flag “07” is set on the student’s ISIR for the student, the dependent student’s parent, or both. The flag is populated separately for the student and the parent in the “FAA INFORMATION” section of the ISIR.</p> <p>The IRS DRT process only transfers data from the original tax return that was filed with the IRS; it does not transfer any changes that were made to that data using the 1040X, and it does not transfer corrections that were made to that data by the IRS while the tax return was being processed. Therefore, if an amended tax return was filed, the school does not have the accurate, amended tax data, so the school must follow up and make the necessary corrections. Like the IRS DRT, the Tax Return Transcript only ever contains the data from the original tax return.</p> <p>For more information about IRS Request Flags and IRS Data Field Flags, refer to the <a href="#">August 7, 2017 Electronic Announcement</a>, “Changes to the IRS Data Retrieval Tool Process for the 2018-19 FAFSA® Form,” for more information.</p>



Question	Answer
<p>19. What documents do you need to verify or resolve IRS Request Flag “07” if they filed a 1040X?</p>	<p><b>If an amended tax return 1040X was filed:</b></p> <p>It depends on whether the student is selected for verification.</p> <p><b><u>If the student is selected for verification</u></b> and the IRS Request Flag is “07,” the school needs to determine from the ISIR which tax filer—the student and/or the dependent student’s parent(s)—filed an amended return and document both the original and amended tax return information. To complete verification, the tax filer needs to provide a signed copy of the 1040X that was filed with the IRS, <b>and either of the following:</b></p> <ul style="list-style-type: none"> <li>• An IRS Tax Return Transcript or acceptable alternative tax transcript;</li> <li>• A signed copy of the tax return and Schedules 1, 2, and/or 3 that were filed with the IRS; <b>or</b></li> <li>• Unaltered IRS DRT information on an ISIR with all tax information from the original tax return (e.g., IRS Request Flag “02” or IRS Data Field Flag “1”).</li> </ul> <p>As an alternative, the Tax Account Transcript can be used in conjunction with a Tax Return Transcript to complete verification without a copy of the 1040X. Also, an IRS Record of Account Transcript can be used by itself (i.e., without a 1040X, Tax Return Transcript, or DRT) to complete verification of the income data.</p> <p><b><u>If the student is not selected for verification</u></b> but there is an IRS Request Flag of “07,” the school must contact the applicant or parent, as applicable, and collect the documents needed to correct any of the affected data elements. In such cases, the school can choose what documentation it accepts to make the changes. This could include:</p> <ul style="list-style-type: none"> <li>• The same documents required for federal verification (listed above); <b>or</b></li> <li>• A signed statement explaining the changes, if the school deems that to be appropriate.</li> </ul> <p>If the student is not selected for verification, you do not have to select the student for full verification; you just have to resolve the income and taxes paid figures based on the amended information. If such an applicant is selected for verification later, the school must request the documentation required for federal verification.</p> <p>See also AskRegs Knowledgebase Q&amp;A, <a href="#">How Do We Resolve IRS Request Flag 07 for Amended Tax Returns?</a></p>

Question	Answer
<p>20. What documents do you need to verify or resolve IRS Request Flag “07” when the IRS corrected the tax return without requiring the tax filer to file a 1040X?</p> <p>If an applicant has an “07,” is not selected for verification, and is not required to file a 1040X, can we accept a signed statement rather than any of the referenced IRS tax transcripts?</p> <p>Does the IRS send a letter to notify the filer that the tax returns have been adjusted/corrected? If so, can they submit this?</p> <p>Affected tax filers sometimes are sent an IRS Notice or Letter (CP2000 or CP3219a) by mail indicating the changes that were made by the IRS. Are those still acceptable?</p>	<p><b>If the IRS corrected the tax return but no 1040X is required:</b></p> <p><b><u>If the student is selected for verification</u></b>, the school needs a combination of documents to complete verification. You need either one of the following:</p> <ul style="list-style-type: none"> <li>Any letter or notice from the IRS indicating the changes the IRS made to the individual’s tax return data items; <b>or</b></li> <li>A Tax Account Transcript, which shows any amended tax data items.</li> </ul> <p>In addition to one of the above documents, you also need either one of the following:</p> <ul style="list-style-type: none"> <li>A Tax Return Transcript or any other tax transcript showing the tax data from the original tax return;</li> <li>A signed copy of the tax return and applicable schedules that were filed with the IRS or other relevant tax authority; <b>or</b></li> <li>Unchanged IRS DRT data showing the tax data from the original tax return (as indicated by IRS Data Field Flag “1”).</li> </ul> <p>An IRS Record of Account Transcript can be used by itself (i.e., without any of the items listed above) to complete verification of the income data.</p> <p>Sometimes the IRS sends a notice to the tax filer indicating the tax return has been adjusted/corrected; sometimes the IRS doesn’t send such a notice (or the tax filer never receives it for some reason). If such a notice is received, it can be used to meet the first bullet above. If such a notice is never received, the tax filer will need to provide the Tax Account Transcript or Record of Account Transcript instead.</p> <p><b><u>If the student is not selected for verification</u></b>, the school must contact the applicant or parent, as applicable, and collect the documents needed to correct any of the affected data elements. In such cases, the school can choose what documentation it accepts to make the changes. This could include:</p> <ul style="list-style-type: none"> <li>The same documents required for federal verification (listed above); <b>or</b></li> <li>A signed statement explaining the changes, if the school deems that to be appropriate.</li> </ul> <p>See also AskRegs Knowledgebase Q&amp;A, <a href="#">How Do We Complete Verification Or Resolve the 07 When No 1040X Was Filed But the IRS Corrected the Tax Return?</a></p>
Tax Filing Requirements	
<p>21. If we find that a student (dependent or independent) or parent was required to file a tax return based on the income thresholds you’ve provided on slide 60, should we advise them to file taxes if they have not and should it hold up their verification?</p>	<p>Yes. You are not required to be a tax expert, but you are expected to know when a person was required to file a tax return. If you determine that a person who should have filed did not file a tax return, they must file the return before you can complete verification.</p> <p>If you doubt whether a student or parent should have filed a tax return, you can either:</p> <ul style="list-style-type: none"> <li>Consult the IRS or a tax professional; <b>or</b></li> <li>Have the student or parent provide documentation from the IRS or a tax professional confirming whether a tax return is required.</li> </ul>

Question	Answer
<p>22. Can you clarify slide 60, “Tax Filing Thresholds?” My understanding is that this is not the chart if “your parents (or someone else) can claim you as a dependent” on their tax return. There is another chart with different gross and earned income amounts, etc. that dictate when a tax return must be filed by a student who is claimed by a parent on the parent’s tax return.</p> <p>What is the tax filing threshold for a student who was claimed as a dependent on his, her, or their parent’s tax return for 2018?</p>	<p>You are correct that there is another chart outlining thresholds if someone can claim the individual as a dependent on his, her, or their tax return. That information is available in Table 1-2, “2018 Filing Requirements for Dependents,” on page 7 of the 2018 <a href="#">IRS Publication 17</a>. In general, however, that threshold for most students would be \$12,000 of earned income. This is the same as the general tax filing thresholds indicated on the slide.</p> <p>This is a good reason to become familiar with the information contained in IRS Publication 17, especially if you are responsible for verifying students and their parents.</p> <p>Note that the IRS definition of a dependent for tax purposes is very different than the Title IV definition of a dependent student. It’s important not to get them confused.</p>
<p>23. A parent is not required to file a tax return (single, 2018 gross income was under \$12,000). The student is single and dependent for Title IV purposes. The student’s only income in 2018 was wages of \$7,300. The student was not claimed on anyone else’s tax return. Is the student required to file a tax return?</p>	<p>No. In this scenario, the student was not claimed as a dependent on anyone else’s tax return, so the tax filing threshold on slide 60 for a single individual applies. We will assume the student is under 65 years old. Since the student has less than \$12,000 in gross income, the student is not required to file a tax return.</p>
<p>24. In the income filing threshold chart you showed on slide 60, you did not include information about self-employment income. Table 1-3 in <a href="#">IRS Publication 17</a> indicates self-employed individuals with income of \$400 or more are required to file a tax return. Please comment.</p>	<p>That is correct. There is a much lower tax filing threshold for self-employed individuals. See Table 1-3, “Other Situations When You Must File a 2018 Tax Return.”</p> <p>You are self-employed if any of the following apply to you:</p> <ul style="list-style-type: none"> <li>• You carry on a trade or business as a sole proprietor or an independent contractor.</li> <li>• You are a member of a partnership that carries on a trade or business.</li> <li>• You are otherwise in business for yourself (including a part-time business)</li> </ul> <p>A self-employed individual must include payments for services on Schedule C or C-EZ (Form 1040). Table 1-3 of IRS Publication 17 indicates that a self-employed individual must file a tax return if his or her net earnings from self-employment are at least \$400 (excluding church employee income). <a href="#">IRS Publication 535</a> (page 7) lists nine factors used in determining if an individual’s activity is a business/trade, which ultimately determines if the income is self-employment income. The determination of whether someone is self-employed is made based on that individual’s circumstances and requires consultation with the IRS or a tax expert.</p>



Question	Answer
<p>25. What must a school do if the parents are undocumented and worked, but could not file taxes because they are undocumented and do not have SSNs?</p>	<p>Not having an SSN <b>does not prevent</b> an undocumented individual from filing taxes and completing verification. Per page AVG-87 of the <a href="#">2019-20 FSA Handbook</a>:</p> <p><b>“Immigrants and tax filing</b></p> <p>Immigrants are not exempt from tax filing. The IRS is more concerned whether a person is a resident or nonresident—rather than legal or illegal—alien. An alien is anyone who is not a U.S. citizen or national. A resident alien is one who either is a permanent resident or has resided in the U.S. for a specific minimum amount of time (has met the substantial presence test). All others are nonresident aliens. Resident aliens’ income is generally subject to tax in the same manner as U.S. citizens’, and they file Forms 1040.... Nonresident aliens who are required to file a return submit Form 1040NR or 1040NR-EZ; both forms are acceptable documentation for verification.</p> <p>Immigrants who do not have an SSN and are unable to get one can apply with the IRS for an individual taxpayer identification number (ITIN). The ITIN is only for tax purposes. It does not authorize a person to work, endorse his legal status, or entitle him to the earned income credit or Social Security benefits. It is not to be used as an identifier in place of the SSN on the FAFSA.</p> <p>See the <a href="#">IRS’s Publication 519</a>, <i>U.S. Tax Guide for Aliens</i> at <a href="http://www.irs.gov">www.irs.gov</a> for more information.”</p> <p>If the nonresident alien (undocumented individual) is required to file a tax return, that individual must file the tax return and then provide an acceptable tax transcript or a signed copy of the tax return (with applicable schedules) to complete verification. If verification is not completed, the student is not eligible for Title IV aid.</p> <p>Per IRS Publication 519, the rules about taxable income are different for nonresident aliens, so any questions about whether the individual is required to file a tax return must be directed to the IRS or a tax professional.</p>
<p>26. Can a divorced couple living in the same home each file as Head of Household?</p>	<p>Generally, no, but it depends. According to a tax expert with whom we have consulted, it is not always true that two people living at the same address cannot provide more than half the cost of keeping up a home. According to <a href="#">IRS Publication 17</a>, unmarried individuals can file as head of household only if they meet the following criteria:</p> <ul style="list-style-type: none"> <li>• You are unmarried or “considered unmarried” on the last day of the year.</li> <li>• You paid more than half of the cost of keeping up a home for the year.</li> </ul> <p>A qualifying person lived with you in the home for more than half the year (except for temporary absences, such as school). However, if the qualifying person is your dependent parent, he or she doesn’t have to live with you.</p>

Question	Answer
26. (continued)	<p>In most cases, two individuals living in the same home cannot pay more than half of the cost of keeping up that home, such as when two unmarried adults share a child living in the home or function as a couple who just lacks the marriage certificate. In such instances, along with the other criteria, each adult must determine if he or she paid more than half the costs of keeping up the home for the tax year. Logically, if they are living in the same space, only one of them can have paid more than half the costs of keeping up the home; only that individual can file taxes as head of household. If both of the individuals indicate they each paid the same amount, then neither of them is paying more than half the costs, so neither can file taxes as head of household.</p> <p>It's different when both individuals live in separate spaces—or “homes”—within the same house or address. According to the tax expert with whom we consulted, a “home” is defined by the amount of space it takes up and how that space is used. Two unmarried adults may live at the same house or address, have separately defined space within that house or address, and still both file as head of household based on paying more than half the up-keep for that separately defined “home” space. To do so, such individuals must be able to demonstrate for tax purposes (if the IRS ever asks) that they have exclusive use of separately defined space within the house or address.</p> <p>Such a separation of space is more obvious when there is an “in-law suite” or a separate apartment with its own entrance, bedroom, kitchen, and bathroom. Other situations involving “roommates” are more difficult to discern. For example, roommates may live in the same home and only share the kitchen and living room, but they do not share a bedroom or bathroom. If each individual chooses to define his or her home as half of the kitchen and living room and all of a bedroom and bathroom, then it is possible that they each pay more than half the costs of keeping up the “home” that they have separately defined within the same house or address. Such a scenario is technically possible within IRS rule, even if it is almost impossible to prove or document.</p> <p>If you believe there is conflicting information, or you choose to verify tax filing status for such individuals, then you must ask yourself if it is credible that the two adults have defined different households at the same address. Again, this is almost impossible to prove, so you must determine what documentation to collect if you proceed. In the end, the tax filer may have to provide you with documentation from the IRS or a tax expert indicating that he or she filed correctly and does not need to file an amended tax return. If you have a legitimate reason to question it, the burden of proof falls on the tax filer.</p>

Question	Answer
<p>27. On slide 106, “Head of Household,” you don’t mention the “Temporary absences” caveat from the 2018 <a href="#">IRS Publication 17</a>. The majority of our situations at our school are parents separated for work purposes only. Are you saying we should not make them re-file their taxes if they filed as Head of Household based on a temporary absence?</p>	<p>No. That’s not what we were saying during the webinar. The parents in this scenario would need to file amended tax returns.</p> <p>The slide is an abbreviated version of the IRS definition of “considered unmarried.” Here’s the full version from page 22 of the 2018 <a href="#">IRS Publication 17</a>:</p> <p>“To qualify for head of household status, you must be either unmarried or considered unmarried on the last day of the year. You are considered unmarried on the last day of the tax year if you meet <b>all the following tests</b>.</p> <ol style="list-style-type: none"> <li>1. You file a separate return. A separate return includes a return claiming married filing separately, single, or head of household filing status.</li> <li>2. You paid more than half of the cost of keeping up your home for the tax year.</li> <li>3. Your spouse didn’t live in your home during the last 6 months of the tax year. Your spouse is considered to live in your home even if he or she is temporarily absent due to special circumstances. See <i>Temporary absences</i> under Qualifying Person, later.</li> <li>4. Your home was the main home of your child, stepchild, or foster child for more than half the year. (See <i>Home of qualifying person</i> under Qualifying Person, later, for rules applying to a child’s birth, death, or temporary absence during the year.)</li> <li>5. You must be able to claim the child as a dependent. However, you meet this test if you can’t claim the child as a dependent only because the noncustodial parent can claim the child using the rules described in <i>Children of divorced or separated parents (or parents who live apart)</i> under Qualifying Child in chapter 3, or referred to in <i>Support Test for Children of Divorced or Separated Parents (or Parents Who Live Apart)</i> under Qualifying Relative in chapter 3. The general rules for claiming a child as a dependent are explained in chapter 3.”</li> </ol> <p>Publication 17 describes temporary absences as “You and your qualifying person are considered to live together even if one or both of you are temporarily absent from your home due to special circumstances, such as illness, education, business, vacation, military service, or detention in a juvenile facility. It must be reasonable to assume the absent person will return to the home after the temporary absence. You must continue to keep up the home during the absence.”</p> <p>If the tax filer or spouse is temporarily absent by this definition, they are considered to live in the home during the last six months of the tax year. They are not “considered unmarried” and both married parents cannot file taxes as Head of Household. Both will need to file amended tax returns as either Married Filing Jointly or Married Filing Separately before verification can be completed.</p> <p>Slide 107 refers you to the Guide to Filing Federal Tax Returns in the <a href="#">AskRegs Knowledgebase</a> for more information. It’s another reason why you should become familiar with IRS Publication 17.</p>

Question	Answer
<b>Separating Income on Joint Tax Returns</b>	
<p>28. When separating income, our institution uses the Proportional Distribution Method. How should this be factored in when calculating items like education tax credits? If one person on the joint return receives 100 percent of the education tax credit, should it be counted as such on the ISIR after separating income? Should it be calculated using the proportional method regardless of who in the joint return received the education credit?</p>	<p>It is our understanding that you would continue to use the Proportional Distribution Method for the additional financial information, such as tax credits.</p> <p>Using your example of tax credits: When completing the 1040, the tax credits are considered in the calculation of the individual's total tax liability (taxes paid), even if the amount is deducted from total tax in that calculation. The tax credits are not considered in the calculation of the AGI, however. If you use the proportional method, you are only applying a percentage of the AGI to calculate taxes paid. This bypasses the intricacy of the exact calculation of taxes paid on the tax return; it's a by-product of using the proportional method. As such, it would not be appropriate to apply the proportional method to calculate taxes paid and then use another method to calculate the tax credit (either by dividing it in half or applying the entire credit to the same parent).</p>
<p>29. Just to confirm: When separating income on a joint tax return, we <u>do not</u> change the tax filing status on the FAFSA or ISIR; we are only using the new tax filing status to calculate the new taxes paid (total tax) using the Tax Table Method?</p> <p>Why would it be necessary to determine Rebecca's new estimated tax filing status? Couldn't we just leave it as Married Filing Jointly?</p>	<p>According to page AVG-85 of the <a href="#">2019-20 FSA Handbook</a>, "Use the deduction...the individual could have claimed if he or she had filed a separate return." In order to calculate the amount of taxes paid (total tax) under the Tax Table Method, you need the revised tax filing status to get the correct Standard Deduction. The Standard Deduction is different for Head of Household versus Married Filing Jointly.</p> <p>Yes, you use the new tax filing status to calculate the new taxes paid, but you do not change the tax filing status on the FAFSA or ISIR, since it was correct at the time the FAFSA was filed and they did actually file a joint tax return as Married Filing Jointly.</p>
<p>30. When we separate income and taxes paid on a joint tax return during verification, do we click the professional judgment (PJ) flag or just correct the ISIR and make proper notes in the student's file?</p>	<p>When separating income and taxes paid on a joint tax return for verification purposes, this is not considered PJ, so you do not set the PJ flag on the ISIR. You collect the necessary documents to verify and separate the income and taxes paid, make the necessary FAFSA/ISIR corrections, and make notes in the student's file accordingly.</p>
<p>31. For separation of income reported on a joint tax return, can we use the Income Estimator tool in FAA Access to CPS Online to determine taxes paid?</p> <p>Does NASFAA or ED have a "proration tool" to separate out parent income due to divorce or death that schools can use?</p>	<p>Yes, according to guidance NASFAA has received from ED, the school can use the Income Estimator in FAA Access to CPS online for this purpose.</p> <p>NASFAA's <a href="#">Member-Generated Content Library</a> provides sample calculation worksheets that were submitted by financial aid administrators.</p>

Question	Answer
<b>Household Size and Number in College</b>	
<p>32. For slide 98 and siblings in the household size: If a student's sibling is 27 years old, the sibling can't answer "No" to the FAFSA question, "Were you born before January 1, 1997?" How can the student's sibling then be included as a dependent and in the household size?</p> <p>Can we include a 30-year-old sibling in number in college as long as he is listed in the household?</p>	<p>This scenario is included in the webinar to make sure all aid administrators are aware that, <b>by law</b>, independent siblings are included in household size if the parents still provide more than half of the sibling's support during the award year covered by the FAFSA. This is true <b>even if the sibling is over 24 years old and considered independent for Title IV purposes</b>.</p> <p>The FAFSA instructions indicate the applicant should include in the parents' household the parents' other children even if they do not live with the parents <b><u>if either of the following applies</u></b>:</p> <ul style="list-style-type: none"> <li>• The parents will provide more than half of the sibling's support between July 1 through June 30 of the award year covered by the FAFSA; <b><u>OR</u></b></li> <li>• The sibling could answer "no" to all dependency status questions on the FAFSA.</li> </ul> <p>Note that this is an "or" statement and not an "and" statement. If either one of the criteria applies, the sibling is included in the parents' household size. This means the sibling can answer "Yes" to the FAFSA question, "Were you born before January 1, 1997?", and still be included in the parent's household size if the parents still provide more than half of the sibling's support.</p> <p>If the sibling is enrolled at least half time during the award year in an eligible program at an eligible institution, the sibling also should be included in the number in college even though he or she is treated as an independent student by the other school.</p> <p>If the sibling is self-supporting and provides more than half of his or her own support, the sibling cannot be included in household size or number in college.</p> <p>Note: In order for other individuals, who are not the parent's children or the student's siblings, to be included in the parent's household size, those individuals must <b>live with and receive more than half their support</b> from the student's parent(s) and will receive more than half support for the entire award year. This is different from the criteria for the student's siblings.</p>

Question	Answer
<p>33. Can we have a policy to automatically exclude all independent siblings or individuals over a certain age from household size?</p> <p>When you talked about the size of the family and that we can't have policies based on ages to remove individuals from the household, why do so many schools have their own policies and why haven't many of us heard about this before?</p>	<p>No, for Title IV federal student aid purposes, the school cannot have a policy to <b>automatically</b> exclude all independent siblings or other individuals over a certain age from household size. Having an independent sibling in the parents' household size is not conflicting information by itself. However, if there is other conflicting information, you must follow-up to resolve the conflict using whatever documentation you deem appropriate.</p> <p>Also, we know that some schools have an institutional verification policy under which they verify half support for individuals over a certain age. This is permitted, but you cannot remove a household member unless there is proof that the parent does not provide more than half of that individual's support during the award year. The half-support test is hard to prove or disprove. For additional guidance, see AskRegs Knowledgebase Q&amp;A <a href="#">How Can We Document Half Support Is Provided For a Household Member?</a></p> <p>Note that such a policy is permissible only for purposes of administering and awarding institutional aid, such as under an institutional methodology. If you have such a policy, it cannot impact the student's eligibility for Title IV funds.</p> <p>This is why we continue to include this scenario and guidance in the webinar—to make schools aware that it is not permissible to automatically exclude all independent siblings or individuals over a certain age from household size for Title IV purposes.</p>
<p>34. Are we required to verify that the parent or independent student provides more than half support of other individuals listed in the household size, such as significant others, boyfriends, girlfriends, or elderly grandparents? Is documentation showing more than 50 percent support required?</p>	<p>No, you are not required to verify the support level of nonrelatives or elderly grandparents who are included in the household size unless there is conflicting information. If there is conflicting information, you must resolve it using whatever documentation you deem appropriate.</p> <p>Of course, if your school has an institutional verification policy to verify half support for other individuals in the household size, then you must verify that information. Again, half support is hard to prove or disprove. For additional guidance, see AskRegs Knowledgebase Q&amp;A <a href="#">How Can We Document Half Support Is Provided For a Household Member?</a></p> <p>Remember: In order for other individuals, who are not the parent's children or the student's siblings, to be included in the parent's household size, those individuals must live with <b>and</b> receive more than half their support from the student's parent(s) and will receive more than half support for the entire award year.</p>
<p>35. In the household size scenario starting on slide 95, since you are including the significant other in the household size, do you count their income as well?</p>	<p>Since the scenario addresses a parent's significant other (boyfriend or girlfriend), the significant other's income information is not reported anywhere on the FAFSA unless the financial aid administrator exercises PJ to include it under the parent's income or untaxed income. The parent does not report cash support received from other people on the FAFSA (there is no question for it).</p> <p>If this were an independent student, any cash support provided by the significant other would be reported in the cash support question for the student. PJ would need to be used to include any of the significant other's income.</p>



Question	Answer
36. Regarding the unborn child scenario starting on slide 101: Do we have to have documentation from doctor stating she is pregnant?	No, not unless there is conflicting information. Simply reporting the pregnancy is not conflicting information by itself.
37. In regard to the dependency status of a student with a child, I believe you said if anyone other than a parent provides support to the student, the student could be considered independent. Is that correct and where can I find the guidance regarding this?	Yes, that is correct. See page AVG-26 of the <a href="#">2019-20 FSA Handbook</a> .
38. What happens if the dependent student's child dies during child birth, unfortunately? She had income and could have provided more than half of the child's support. The child was the only reason she was independent. Is she still independent?	<p>Information on the FAFSA generally is not updated or changed if it was correct at the time the FAFSA was signed and submitted. If the student was pregnant at the time the FAFSA was filed and correctly included the unborn child in the household size, the household size would not be updated due to the death of the unborn child. There are two exceptions:</p> <p>Exception 1: Under <a href="#">668.55(b)</a>, if the student is selected for verification, either by the institution or by the CPS, household size must be updated to be correct on the date of verification. If verification occurs after the death of the unborn child, the household size would be updated at the time of verification. If the student is not selected for verification by the CPS, there is no need for your institution to select the student for verification because of the knowledge of the child's death; it is not conflicting information.</p> <p>Exception 2: Under <a href="#">668.55(a)</a>, "If an applicant's dependency status changes at any time during the award year, the applicant must update FAFSA information, except when the update is due to a change in his or her marital status." If the unborn child was the only reason the student was independent, then the student's dependency status will change for the entire award year. The FAFSA must be updated to include parental information and aid must be recalculated based on the new EFC.</p> <p>Of course, the financial aid administrator could choose to exercise his or her PJ discretion to perform a dependency override to keep the student independent if the aid administrator believes special circumstances warrant such consideration. See the Application and Verification Guide, Chapter 5, of the <a href="#">FSA Handbook</a> for more information on PJ.</p> <p>Bear in mind, if the student is not selected for verification either by the CPS or the institution, then the only way the financial aid office would be aware of this development is if the student provides this information to the financial aid office. Therefore, it may be possible that the student's dependency status would not change until the subsequent award year due to the death of the unborn child.</p>

Question	Answer
39. Can a male student be independent based on expecting an unborn child?	<p>Yes. The same rules apply to the male student as do the female student. Whichever student is providing more than half support from birth through the end of the award year claims the child as a dependent for Title IV purposes.</p> <p>See the following related AskRegs Knowledgebase Q&amp;As:</p> <ul style="list-style-type: none"> <li>• <a href="#">Can Two Students Be Independent Based on the Same Child if One Parent Is Paying Child Support?</a></li> <li>• <a href="#">Can Two Unmarried Students with a Child Living Together Both Be Independent?</a></li> </ul>
40. When looking at number in college, sometimes the sibling's college choice is not confirmed. The family indicates "don't know" for the college name. Can we count the sibling as being in college if we cannot verify the name of the school the sibling will be attending as a Title IV-eligible school?	<p>No. As indicated in the <a href="#">May 24, 2019 Federal Register</a>, Free Application for Federal Student Aid (FAFSA®) Information To Be Verified for the 2020-2021 Award Year," in order to complete verification, you need the name of the institution the sibling will be attending, so the sibling will need to pick one and provide a name, so the school can tell if it is a Title IV-eligible institution.</p> <p>Remember: Under <a href="#">668.55(b)(1)</a>, household size and number in college cannot be updated unless the student is selected for verification by the CPS or the school. If selected for verification, household size and number in college must be updated to be correct at the time of verification. Household size and number in college cannot be updated after verification unless the school selects the student for verification again. Per ED, at the time of verification, the institution could reassess (via verification worksheet or signed statement) whether the family member planned to enroll at the institution and could continue to include that person in the number in college based on that assumption or projection. That is, the family member does not necessarily need to be enrolled, registered, or pre-registered at the school at the time of verification. If the family member does not enroll, it is not considered conflicting information, and the institution cannot make any updates to the number in college unless the application is selected for verification again.</p> <p>This means that the school is not required to continuously check to ensure the family member enrolls in college as reported. It also would not be appropriate to have a policy to do so, unless the school also re-verifies all such students.</p>
Other Flags and Comment Codes	
41. Will there still be IRS Request Flag "06" and comment codes 400 and 401 for the 2020-21 award year?	Yes.



Question	Answer
<p>42. Is the school still required to resolve comment codes 403 and 404?</p>	<p>Yes. NASFAA spoke with ED. Comment codes 403 and 404 occur when the student or parent answers “Yes” to the Schedule 1 questions 35 and 82, and yet indicated they filed a foreign tax return in questions 33 or 80. Schedule 1 only applies to the IRS 1040, so these answers are inconsistent and conflicting information.</p> <p>While comment codes 403 and 404 are not verification requirements, they still must be resolved. If the student or parent does not correct this on their own, then the task falls to the school. This can be done by contacting the student or parent to confirm the tax return type and whether a Schedule 1 was filed with IRS Form 1040. Documentation can either be a signed statement or a copy of the tax return with Schedule 1 (if it one was filed). The school will either need to:</p> <ul style="list-style-type: none"> <li>• Correct the answers to questions 33, 35, 80 or 82, as applicable; or</li> <li>• Re-enter the responses for both questions for the student or parent, as applicable, to clear the comment code.</li> </ul> <p>Refer to the <a href="#">SAR Comment Codes and Text</a> for more information.</p>

[illegible]

# What's next?

## Please join us for the 2019-20 NASFAA Webinar Series



NASFAA's [live webinars](#) bring you the latest information, hot off the press, and allow you to actively engage with NASFAA staff and featured presenters from government, partner organizations, and fellow aid administrators.

[On Demand Webinars](#) are recordings of previously broadcasted events. The recordings are available for purchase and viewing at your convenience.

All webinars begin at 2:00 pm ET, unless otherwise noted, and last 60 to 90 minutes. Archives are usually available after the webinar for purchase; these archives are also free to webinar package purchasers.

### Webinar Schedule for 2019-20 - See You Online!

Topic	Air Date
Professional Judgment & Need Analysis: Like Peanut Butter & Jelly	08/01/2019
Most Popular AskRegs Questions: Untaxed Income	09/11/2019
FAFSA: 2020-21	10/02/2019
Updating FAFSA Data: When and Why	10/23/2019
Verification 2020-21	11/19/2019
What the Pell Am I Supposed to Do With These Enrollment Status Changes?	12/11/2019
Policy Update*	12/17/2019
Verification 2020-21: Follow-Up Webinar	01/22/2020
Financial Literacy	02/12/2020
Enrollment Management for Financial Aid Administrators	03/11/2020
Grad/Professional School Townhall*	03/25/2020
Satisfactory Academic Progress: Basics & Beyond	04/22/2020
Return of Title IV Funds Spotlight: Advanced Concepts	05/13/2020
Policy Update*	05/19/2020
Hot Topic TBD	06/03/2020

\* Complimentary for all Members. All other webinars are offered at the following rates: Site License: \$120 members/\$240 non-members/no charge for [webinar package](#) purchasers or Value Plus Members.

**The National Association of Student  
Financial Aid Administrators (NASFAA)  
provides professional development  
for financial aid administrators;  
advocates for public policies  
that increase student access and  
success; serves as a forum on  
student financial aid issues;  
and is committed to diversity  
throughout all activities.**

**© 2020 National Association of Student Financial Aid Administrators**



NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS

**1801 PENNSYLVANIA AVENUE, NW, SUITE 850  
WASHINGTON, DC 20006-3606**

**202.785.0453 FAX. 202.785.1487 [WWW.NASFAA.ORG](http://WWW.NASFAA.ORG)**