

# Verification

Selena Healey

[selena@american.edu](mailto:selena@american.edu)

Tristate Fall Conference

November 7, 2017

# Agenda

- ▶ 2017-2018 Verification Overview
- ▶ Changes for 2018-2019
- ▶ Conflicting Information

# 2017-2018 Verification Overview

## Verification Categories

- ▶ Discontinued V6 Category for Untaxed Income
- ▶ Still have V1, V4, & V5 categories
- ▶ Can re-use documentation collected for 2016-2017 Verification to verify 2015 income data
- ▶ Need to collect new year specific documentation for:
  - ▶ Number in household
  - ▶ Number in college
  - ▶ Identify/Statement of Educational Purpose

# V1 Category

## ▶ Tax Filers

- ▶ Adjusted Gross Income
- ▶ U.S. Income Tax Paid
- ▶ Untaxed Portions of IRA Distributions
- ▶ Untaxed Portions of Pensions
- ▶ IRA Deductions & Payments
- ▶ Tax Exempt Interest Income
- ▶ Education Tax Credits

## ▶ Nontax Filers

- ▶ Income Earned from Work

## ▶ Tax Filers & Nontax Filers

- ▶ Number of Household Members
- ▶ Number in College

# V4 Category

- ▶ High School Completion Status
- ▶ Identify/Statement of Educational Purpose

# V5 Category

## ▶ Tax Filers

- ▶ Adjusted Gross Income
- ▶ U.S. Income Tax Paid
- ▶ Untaxed Portions of IRA Distributions
- ▶ Untaxed Portions of Pensions
- ▶ IRA Deductions & Payments
- ▶ Tax Exempt Interest Income
- ▶ Education Tax Credits

## ▶ Nontax Filers

- ▶ Income Earned from Work

## ▶ Tax Filers & Nontax Filers

- ▶ Number of Household Members
- ▶ Number in College
- ▶ High School Completion Status
- ▶ Identity/Statement of Educational Purpose

# 2017-2018 Verification Acceptable Documentation

Tax Data can be verified with following:

- ▶ DRT
- ▶ Signed copy of your Federal 2015 paper tax return (IRS Form 1040, 1040A, or 1040EZ)
- ▶ 2015 IRS Tax Transcript
- ▶ Must include a signed 1040X if an amended tax return was filed

# 2017-2018 Verification Acceptable Documentation

- ▶ Individuals Granted a Filing Extension by the IRS
  - ▶ Copy of IRS Form 4868 “Application for Automatic Extension...”, AND
  - ▶ Copy of IRS’s approval of extension beyond the automatic extension, AND
  - ▶ Verification of non-filing letter from the IRS, AND
  - ▶ Copy of 2015 IRS Form W2 for each source of employment, AND
  - ▶ If self-employed, signed statement certifying the amount of the individuals AGI and U.S. Income tax paid for 2015
- ▶ Individuals who did not File Taxes in 2015
  - ▶ Signed statement that you did not file taxes listing sources of employment and amounts earned, AND
  - ▶ IRS Form W2 for each source of income listed.



# 2017-2018 Verification Acceptable Documentation

- ▶ Number in household/college
  - ▶ Signed statement
- ▶ High School Completion
  - ▶ High school diploma or High School transcript showing diploma earned
  - ▶ State certificate recognizing the equivalent of a high school diploma (Ex. GED, or other state authorized examination)
  - ▶ Academic Transcript showing successful completion of at least a 2 year program acceptable for full credit towards a bachelor's degree.
  - ▶ Copy of home schooling credential, if home state requires student to obtain credential
  - ▶ If homeschooled in state that does not require credential, statement signed by parent/guardian listing secondary school courses completed with statement that student completed a secondary school education.
  - ▶ DD-214 indicating high school or its equivalent was completed

# 2017-2018 Verification Acceptable Documentation

- ▶ Identify/Statement of Educational Purpose
  - ▶ Presented in person or with notary
  - ▶ Valid unexpired government-issued photo ID
    - ▶ Driver's License
    - ▶ State ID
    - ▶ Passport
    - ▶ Other government issued ID
  - ▶ Statement of Educational Purpose

# Changes for 2018-2019 IFAP Announcements

- ▶ Dear Colleague Letter GEN-17-05 published May 25, 2017: ***2018-2019 Award Year: FAFSA Information to be Verified & Acceptable Documentation***
- ▶ Electronic Announcement published August 16, 2017: ***2018-2019 Verification Suggested Text Package***
- ▶ Electronic Announcement published August 7, 2017: ***Changes to the IRS Data Retrieval Tool Process for the 2018-19 FAFSA Form***

# Changes for 2018-2019

## The DRT is back!

- ▶ Can no longer accept signed tax returns in lieu of the DRT/tax transcript.
- ▶ IRS income data will not display online in the online FAFSA form or on the Student Aid Report, but will still display on the ISIR received by schools
- ▶ Students and parents will NOT be able to change the IRS income date once transferred into the FAFSA
- ▶ Rollovers - If amount transferred from the IRS is greater than \$0, the online FAFSA form will now ask what amount of this is a rollover.
  - ▶ Untaxed Portions of IRA Distributions
  - ▶ Untaxed Portions of Pensions
- ▶ Income earned from work will not transfer with the DRT and must be entered manually.

# Changes for 2018-2019

## IRS Request Flags

- ▶ Blank = IRS DRT not available in the application method use (paper, EDE, etc)
- ▶ 00 = Ineligible to use DRT and not presented with option
- ▶ 01 = Student/Parent was presented with option to use DRT, elected to use it, but did not transfer IRS data
- ▶ **02 = IRS DRT used to transfer data and no changes made to data**
- ▶ 03 = IRS DRT used to transfer data, and changes made prior to submitting application/correction
- ▶ 04 = IRS DRT was used to transfer data, and changes were later made on a subsequent transaction
- ▶ 05 = Student/Parent was presented with the option to use the DRT, but did not elect to use it.
- ▶ 06 = Family used the IRS DRT but then later changed a field on the FAFSA that suggests they may not have been eligible to use the DRT in the first place.
- ▶ 07 = Indicates that the IRS received an amended tax return for the tax filer
  - ▶ DRT will still import original tax data rather than the amended tax data
  - ▶ Schools must contact student to collect the correct tax information regardless of whether or not those items are required to be verified

# Changes for 2018-2019

## IRS Data Field Flags

- ▶ For each data item that was retrieved from the IRS, there will now be a corresponding Data Field Flag indicating whether or not the data was subsequently changed.
  - ▶ Blank = IRS data not transferred from the IRS (paper application, EDE, etc.)
  - ▶ 0 = IRS data not transferred from the IRS (FAFSA online application)
  - ▶ **1 = IRS data transferred from the IRS - Field not changed by the user**
  - ▶ 2 = IRS data transferred from the IRS - Field changed by user prior to submission of the application (can only occur for IRA and Pension fields as a result of the user entering a rollover amount)
  - ▶ 3 = IRS data transferred from the IRS - Field corrected by the user on the same transaction
  - ▶ 4 = IRS data transferred from the IRS - Field corrected by the user on a previous transaction

# Changes for 2018-2019

- ▶ IRS Confirmation of Nontax Filing letter required again
  - ▶ Dependent students who are non-tax filers are excluded from this requirement.
  - ▶ Independent students and/or their spouses must provide if they did not file taxes.
  - ▶ Parents of dependent students must provide if they did not file taxes
  - ▶ Must be dated on or after October 1, 2017, for the 2016 tax year
- ▶ IRS Form 4506-T, check box 7
- ▶ Alternatives to Verification of Nonfiling letter
  - ▶ Can use any IRS document if it is dated on or after October 1, 2017, and clearly indicates no tax return was filed.

# Conflicting Information

## Comment Codes 400 & 401

- ▶ Comment Code 400 = For parents of dependent students
- ▶ Comment Code 401 = For dependent students and independent students
- ▶ Will not specify exactly why the code exists, but need to check for each of the following:
  - ▶ AGI is Zero, but Income Earned from Work is Greater than Zero
  - ▶ Total Additional Financial Information is greater than the AGI
    - ▶ Students - FAFSA questions 44a-f
    - ▶ Parents - FAFSA questions 93a-f
  - ▶ Any Untaxed Income data item is equal to or exceeds the AGI
    - ▶ Students - FAFSA questions 45a-j
    - ▶ Parents - FAFSA questions 94a-i



# Conflicting Information

- ▶ No more 399 code for 2018-2019, but must still review and resolve for 2017-2018.
- ▶ New comment codes 400 & 401
- ▶ Other possible examples of conflicting information
  - ▶ Did not file taxes, but income is above threshold for non-filing
  - ▶ Incorrect filing status on tax return
  - ▶ Implied assets is greater than reported assets
  - ▶ Questionable family members listed in household or number in college
  - ▶ Revised FAFSA received with questionable changes to data elements
  - ▶ Unusually low income

# IRS Publication 17

Table 1-2. **2016 Filing Requirements for Dependents**

See [chapter 3](#) to find out if someone can claim you as a dependent.

If your parents (or someone else) can claim you as a dependent, use this table to see if you must file a return. (See [Table 1-3](#) for other situations when you must file.)

In this table, unearned income includes taxable interest, ordinary dividends, and capital gain distributions. It also includes unemployment compensation, taxable social security benefits, pensions, annuities, and distributions of unearned income from a trust. Earned income includes salaries, wages, tips, professional fees, and taxable scholarship and fellowship grants. (See [Scholarships and fellowships](#) in chapter 12.) Gross income is the total of your earned and unearned income.



*If your gross income was \$4,050 or more, you usually can't be claimed as a dependent unless you are a qualifying child. For details, see Exemptions for Dependents, in chapter 3.*

**Single dependents**—Were you **either** age 65 or older or blind?

- No.** You must file a return if **any** of the following apply.
  - Your unearned income was more than \$1,050.
  - Your earned income was more than \$6,300.
  - Your gross income was more than the **larger** of:
    - \$1,050, or
    - Your earned income (up to \$5,950) plus \$350.
- Yes.** You must file a return if **any** of the following apply.
  - Your unearned income was more than \$2,600 (\$4,150 if 65 or older **and** blind).
  - Your earned income was more than \$7,850 (\$9,400 if 65 or older **and** blind).
  - Your gross income was more than the **larger** of:
    - \$2,600 (\$4,150 if 65 or older **and** blind), or
    - Your earned income (up to \$5,950) plus \$1,900 (\$3,450 if 65 or older **and** blind).

# IRS Publication 17

Table 1-1. 2016 Filing Requirements for Most Taxpayers

IF your filing status is...	AND at the end of 2016 you were...*	THEN file a return if your gross income was at least...**
single	under 65	\$10,350
	65 or older	\$11,900
married filing jointly***	under 65 (both spouses)	\$20,700
	65 or older (one spouse)	\$21,950
	65 or older (both spouses)	\$23,200
married filing separately	any age	\$ 4,050
head of household	under 65	\$13,350
	65 or older	\$14,900
qualifying widow(er) with dependent child	under 65	\$16,650
	65 or older	\$17,900

# Conflicting Information

- ▶ Other possible examples of conflicting information
  - ▶ Incorrect filing status on tax return
  - ▶ Implied assets is greater than reported assets
  - ▶ Questionable family members listed in household or number in college
  - ▶ Revised FAFSA received with questionable changes to data elements
  - ▶ Unusually low income

# Additional Resources

- ▶ Program Integrity Information - Questions & Answers
  - ▶ <https://www2.ed.gov/policy/highered/reg/hearulemaking/2009/integrity-qa.html>
- ▶ 2018-2019 SAR Comment Codes & Text (updated October 2017)
  - ▶ <https://ifap.ed.gov/sarcommcodetxt/1819SARCommCodesTxtOct2017.html>
- ▶ Dear Colleague Letter GEN-17-04 published April 24, 2017: ***Changes to 2016-2017 and 2017-2018 Verification Requirements***

Questions?

