




Verification in the Financial Aid Office


(Current as of 3/15/2011)



What will we accomplish today?



- Define verification and its scope
- Identify what data elements must be verified
- Discuss how to verify those data elements
- Final rules—effective July 1, 2012



Purpose and scope of verification

Purpose



- To ensure information on FAFSA (and resulting EFC) is correct
- To maintain integrity of the financial aid system



Verification is Not...



- Resolving conflicting information
- Professional judgment
- Confirming database matches
- Reviewing reject codes and C-codes



Verification is...



- Reviewing the following items on a student's FAFSA to ensure correct and complete information:
 - Household size
 - Number in college
 - Untaxed income and benefits
 - Parent and student Adjusted Gross Income (AGI)
 - Parent and student taxes paid

AVG 85



ED Selection



- Student fills out FAFSA
- CPS reviews and flags application
- School notified on ISIR transaction

AVG 82



The 30 Percent Rule



- **Must** verify all applications the CPS selects for verification, up to 30% of total federal aid applicants
 - If the CPS selects less than 30%, the school is not required to reach 30%; it is not a quota
- **May** choose to verify more than 30%

AVG 82



School Selection



- **Must** select any application that it has reason to believe is incorrect or discrepant
- **May** also select additional applications for verification beyond those required
- “Full verification” not required
- School-selected files and those with conflicting information do not count toward the 30% requirement

AVG 82



Exemptions



- Certain aid applicants are exempt from verification, including applicants who are:
 - Incarcerated students
 - Recent immigrants
 - Applying for parent or Grad PLUS, unsubsidized Stafford, LEAP/SLEAP, TEACH Grant, or Robert C. Byrd only
 - Not aid recipients

AVG 83-84



Other Exempted Applicants



- Unable to locate parent(s) or spouse
- HEROES Act
- Disaster victims
- Pacific Island resident
- Verified by another school
- Exemptions within verification categories

AVG 83-84



Documentation




- Most verification information can be collected on the verification worksheet and tax forms
 - Tax filers must submit copies of tax return, and in some cases, W-2s
- May require additional documentation for certain items
- Copies are acceptable

AVG 85-86




Household size

Who is Included in the Household? 

Dependent Student:	Independent student:
Student	Student
Student's parent(s)	Student's spouse
Student's siblings and children	Student's children
Others who receive more than 50% support	Others who receive more than 50% support

AVG 32, 36



Household Size Exemptions



- You don't have to verify the number in the household if any of the following conditions apply:
 - It's the same as reported and verified in the previous award year
 - You receive the student's ISIR or SAR within 90 days after the date the application was signed



Household Size Exemptions



- You don't have to verify the number in the household if any of the following conditions apply:
 - For a dependent student, the household size reported for married parents is three—or two if the parent is single, divorced, separated, or widowed
 - For a married independent student the household size reported is two—or one if the student is single, divorced, separated, or widowed



Remember:



- The rules that determine whether someone is counted in the household for FSA purposes are different from the IRS rules for determining dependents or household members.

AVG 33



Updating household size



- Must be updated to be correct at the time of verification unless they changed due to a change in the student's marital status, in which case updating is not permitted.



Household Size Pop Quiz



- How many are in the household for verification purposes?
 - Lydia is dependent
 - Parents are married
 - Ron is independent by age, but parents provide more than 50% support
 - Elizabeth is independent by vet status, and not supported by parents
 - Susan is dependent, does not attend college, but is working and supports herself.



Household Size Pop Quiz



- Jessica's parents are living together but are separated or never married. Should both parents be included in the HHS?



Household Size Pop Quiz



- Stephanie lives at home with her parents and her dependent child. Is Stephanie independent for federal student aid purposes?



Number in college

Who is Included in the Number in College?



Dependent student:

Student
Others in the HHS if they are or will be enrolled at least 1/2 time during the award year in an eligible degree or certificate program at a school eligible for any of the FSA programs.

Not parents

Independent student:

Student
Others in the HHS who are or will be enrolled at least 1/2 time during the award year in a degree or certificate program at a Title IV-eligible school and who can reasonably be expected to receive aid from the family for their education

AVG 33, 36



Number in College Exemptions



- You don't have to verify the number enrolled in college if any of the following conditions apply:
 - The reported number enrolled is one (the student only).
 - You receive the student's ISIR or SAR within 90 days after the date the application was signed.
 - The family members the student lists are enrolled at least half time at your school, and you have confirmed their enrollment through your school's own records.



Updating Number in College



- As with household size, number in college cannot be updated unless the student is selected for verification. If he is selected, these items must be updated to be correct at the time of verification unless they changed due to a change in the student's marital status, in which case updating is not permitted.



Number in College Pop Quiz



- Ryan is dependent, his parents are divorced, and he lives with his mom and 30-year old sister. Ryan's mom decides to attend graduate school part time next year. His sister is enrolled full time in an associate's degree program and works full-time. How many people are in Ryan's number in college?



Untaxed income and benefits

What Must be Verified



- Child support received
- Deductions for IRA and Keogh plans
- Tax exempt interest income

AVG 90



What Must be Verified



- All other untaxed income reported on the U.S. individual income tax return, including:
 - Payments to tax-deferred pension/savings
 - Untaxed portions of pensions and annuities/IRA distributions

AVG 21



Other Untaxed Income and Benefits Not on the Tax Return



- Housing, food, and other allowances
- Veterans' non-education benefits
- Other untaxed income not reported elsewhere, such as workers' compensation or disability payments
- Cash support (but not cash from parents for dependent student)

AVG 91-92



Don't Include:



- Welfare payments
- Earned Income Credit
- Foreign income exclusion
- Credit for tax on special fuels
- Additional child tax credit
- Untaxed Social Security benefits (such as SSI)
- Student aid
- Veterans' education benefits
- Flexible spending arrangements
- Payments from states for foster care or adoption assistance
- Value of on-base housing
- Combat pay
- In-kind support

AVG 22, 23



In-kind vs. Cash Support



- **In-kind:** support other than money, such as free housing or food provided by friends or relatives, food stamps, WIC, national school lunch and breakfast programs, rollover pensions. May be included elsewhere when determining aid eligibility.

AVG 23



In-kind vs. Cash Support



- **Cash:** money, clothing, gifts, food, loans, housing, car payments or expenses, medical and dental care, costs paid on the student's behalf, and money from a non-custodial parent to a dependent student that is not part of a child support agreement.

AVG 22



AGI and taxes paid



- "The hardest thing in the world to understand is the income tax."
– Albert Einstein



Signature Requirements



- At least one parent must sign the parent tax return
 - Student must sign his or her tax return
- OR
- Tax preparer may sign or stamp name in lieu of filer (also need SSN or EIN)
 - Exception: if the form mailed is directly to the school from IRS


AVG 37



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Alternative Tax Documentation

- e-file
- Transcript of return (RTFTP, or Return Transcript for Tax Payer): Form 4506-T or call IRS at (800) 829-1040
- Extension filers:
 - Form 4868
 - W-2s
 - Final tax return



AVG 88-89

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Declaration Control Number (DCN) IRS Use Only—Do not write or staple in this space.

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Form **8453** **U.S. Individual Income Tax Transmittal for an IRS e-file Return** OMB No. 1545-0074

For the year January 1–December 31, 2010
▶ See instructions on back.

Department of the Treasury
Internal Revenue Service


Please print or type. P R I N T C L E A R L Y	Your first name and initial	Last name	Your social security number	
	If a joint return, spouse's first name and initial	Last name	Spouse's social security number	
	Home address (number and street). If you have a P.O. box, see instructions.		Apt. no.	▲ Important! You must enter your SSN(s) above. ▲
	City, town or post office, state, and ZIP code			

FILE THIS FORM ONLY IF YOU ARE ATTACHING ONE OR MORE OF THE FOLLOWING FORMS OR SUPPORTING DOCUMENTS.

Check the applicable box(es) to identify the attachments.

Appendix A, Statement by Taxpayer Using the Procedures in Rev. Proc. 2009-20 to Determine a Theft Loss Deduction Related to a Fraudulent Investment Arrangement

Form 1098-C, Contributions of Motor Vehicles, Boats, and Airplanes (or equivalent contemporaneous written acknowledgement)



Not acceptable for verification

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Form **4506** **Request for Copy of Tax Return** OMB No. 1545-0429

(Rev. January 2011)
Department of the Treasury
Internal Revenue Service

▶ Request may be rejected if the form is incomplete or illegible.


Tip. You may be able to get your tax return or return information from other sources. If you had your tax return completed by a paid preparer, they should be able to provide you a copy of the return. The IRS can provide a **Tax Return Transcript** for many returns free of charge. The transcript provides most of the line entries from the original tax return and usually contains the information that a third party (such as a mortgage company) requires. See **Form 4506-T, Request for Transcript of Tax Return**, or you can quickly request transcripts by using our automated self-help service tools. Please visit us at IRS.gov and click on "Order a Transcript" or call 1-800-908-9946.

<p>1a Name shown on tax return. If a joint return, enter the name shown first.</p>	<p>1b First social security number on tax return, individual taxpayer identification number, or employer identification number (see instructions)</p>
<p>2a If a joint return, enter spouse's name shown on tax return.</p>	<p>2b Second social security number or individual taxpayer identification number if joint tax return</p>
<p>3 Current name, address (including apt., room, or suite no.), city, state, and ZIP code (See instructions)</p>	
<p>4 Previous address shown on the last return filed if different from line 3 (See instructions)</p>	
<p>5 If the tax return is to be mailed to a third party (such as a mortgage company), enter the third party's name, address, and telephone number. The IRS has no control over what the third party does with the tax return.</p>	

Caution. If the tax return is being mailed to a third party, ensure that you have filled in line 6 and line 7 before signing. Sign and date the form once you have filled in these lines. Completing these steps helps to protect your privacy.

6 Tax return requested. Form 1040, 1120, 941, etc. and all attachments as originally submitted to the IRS, including Form(s) W-2, schedules, or amended returns. Copies of Forms 1040, 1040A, and 1040EZ are generally available for 7 years from filing before they are destroyed by law. Other returns may be available for a longer period of time. Enter only one return number. If you need more than one type of return, you must complete another Form 4506. ▶

Note. If the copies must be certified for court or administrative proceedings, check here



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Form **4868** **Application for Automatic Extension of Time To File U.S. Individual Income Tax Return** OMB No. 1545-0074


(Rev. January 2010)
Department of the Treasury
Internal Revenue Service (99)

For calendar year 2010, or other tax year beginning _____, 2010, ending _____, 20

2010

Part I Identification			Part II Individual Income Tax	
<p>1 Your name(s) (see instructions)</p>			<p>4 Estimate of total tax liability for 2010 . . . \$</p>	
<p>Address (see instructions)</p>			<p>5 Total 2010 payments</p>	
<p>City, town, or post office State ZIP Code</p>			<p>6 Balance due. Subtract line 5 from line 4 (see instructions)</p>	
<p>2 Your social security number 3 Spouse's social security number</p>			<p>7 Amount you are paying (see instructions) ▶</p>	
<p>8 Check here if you are "out of the country" and a U.S. citizen or resident (see instructions) <input type="checkbox"/></p>			<p>9 Check here if you file Form 1040NR or 1040NR-EZ and did not receive wages as an employee subject to U.S. income tax withholding. <input type="checkbox"/></p>	

For Privacy Act and Paperwork Reduction Act Notice, see page 4. Cat. No. 13141W Form **4868** (2010)



What You Must Know About Filing Requirements



- Is an individual is required to file?
- What is the individual's correct filing status?
- Confirm an individual is not claimed as an exemption by more than one person
- Download IRS publication 501 (short version) or 17 (long version)

AVG 107



Table 1. 2010 Filing Requirements Chart for Most Taxpayers

IF your filing status is...	AND at the end of 2010 you were...*	THEN file a return if your gross income was at least...**
single	under 65	\$ 9,350
	65 or older	\$10,750
head of household	under 65	\$12,050
	65 or older	\$13,450
married, filing jointly**	under 65 (both spouses)	\$18,700
	65 or older (one spouse)	\$19,800
	65 or older (both spouses)	\$20,900
married, filing separately	any age	\$ 3,650
qualifying widow(er) with dependent child	under 65	\$15,050
	65 or older	\$16,150



Non-filers

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- Income earned from work on FAFSA (no AGI)
- Verification worksheet or signed statement sufficient, but...
- Be vigilant about conflicting information

AVG 88



Filed Joint Return, Now Separated

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- Obtain all W-2s and extract income
- Figure individual taxes paid
- Assess at 50%:
 - Interest/business income on joint accounts
 - Business/farm losses
 - Adjustments to AGI that were for both filers

AVG 86



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Head of a household	If line 43 (taxable income) is —		And you are —					If line 43 (taxable income) is —		And you are —				
	At least	But less than	Single	Married filing jointly	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly	Married filing separately	Head of a household		
	8,000						11,000							
503	8,000	8,050	803	803	803	803	11,000	11,050	1,235	1,103	1,235	1,103		
508	8,050	8,100	808	808	808	808	11,050	11,100	1,243	1,108	1,243	1,108		
513	8,100	8,150	813	813	813	813	11,100	11,150	1,250	1,113	1,250	1,113		
518	8,150	8,200	818	818	818	818	11,150	11,200	1,258	1,118	1,258	1,118		
523	8,200	8,250	823	823	823	823	11,200	11,250	1,265	1,123	1,265	1,123		
528	8,250	8,300	828	828	828	828	11,250	11,300	1,273	1,128	1,273	1,128		
533	8,300	8,350	833	833	833	833	11,300	11,350	1,280	1,133	1,280	1,133		
538	8,350	8,400	838	838	838	838	11,350	11,400	1,288	1,138	1,288	1,138		
543	8,400	8,450	843	843	843	843	11,400	11,450	1,295	1,143	1,295	1,143		
548	8,450	8,500	848	848	848	848	11,450	11,500	1,303	1,148	1,303	1,148		
553	8,500	8,550	853	853	853	853	11,500	11,550	1,310	1,153	1,310	1,153		
558	8,550	8,600	858	858	858	858	11,550	11,600	1,318	1,158	1,318	1,158		
563	8,600	8,650	863	863	863	863	11,600	11,650	1,325	1,163	1,325	1,163		
568	8,650	8,700	868	868	868	868	11,650	11,700	1,333	1,168	1,333	1,168		
573	8,700	8,750	873	873	873	873	11,700	11,750	1,340	1,173	1,340	1,173		
578	8,750	8,800	878	878	878	878	11,750	11,800	1,348	1,178	1,348	1,178		
583	8,800	8,850	883	883	883	883	11,800	11,850	1,355	1,183	1,355	1,183		
588	8,850	8,900	888	888	888	888	11,850	11,900	1,363	1,188	1,363	1,188		
593	8,900	8,950	893	893	893	893	11,900	11,950	1,370	1,193	1,370	1,193		
598	8,950	9,000	898	898	898	898	11,950	12,000	1,378	1,198	1,378	1,198		

SOLID FOUNDATION FOR STUDENT SUCCESS

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Resolution

- Compare documents with original FAFSA
- Determine if information is correct
 - No changes or minor changes: award and disburse aid
 - Errors/inconsistencies: submit corrections/updates

AVG 88

SOLID FOUNDATION FOR STUDENT SUCCESS

Final rules — Program Integrity Verification: Effective July 1, 2012

Verification



- Discontinues use of five standardized verification items
- Customizes verification based on most error-prone data items *specific to applicant*
- Requires ED to publish *Federal Register* Notice each award year listing:
 - Potential verification items, and
 - Acceptable documentation


§ 668.56



Verification


- Schools must verify *all* CPS-selected applicants
 - 30% cap on verification of applicants eliminated
 - Schools must verify all selected applicants unless verification exclusions apply
 - Schools must complete verification prior to performing professional judgment (PJ)

§§668.53-668.54




Verification

- Identifies required verification items on SAR/ISIR
 - New flags specific to the applicant
- Allows school flexibility to verify additional items for specific applicant
- Continues to require school to resolve conflicting information



Verification **TG**[™]


- No longer excluded from verification
 - Legal residents of Commonwealth of Northern Mariana Islands, Guam and American Samoa
 - Citizens of Republic of Marshall Islands, Federated States of Micronesia and Republic of Palau
 - Incarcerated applicants
 - Recent immigrants
 - Parents who are deceased
 - Parents or spouses who are physically incapacitated



Verification **TG**[™]

- Excluded from verification:
 - Applicant dies, does not receive aid, or receives only unsubsidized aid
 - Transfer student if prior school completed verification
 - Parent or spouse resides outside U.S. and cannot be contacted
 - Parents (both) or spouse mentally incapacitated
 - Parents or spouse cannot be located

§ 668.54



Verification



- Must continue to update FAFSA information if:
 - Household size and/or number in college changed at the time of verification
 - Dependency status changes during the award year
 - Regardless of verification selection
 - Applicant responsible for notifying school of change
 - If school becomes aware of change, consider as conflicting information

§§ 668.55; 668.58



Verification



- May update FAFSA information if:
 - Dependency status changes during the award year due to a change in applicant's marital status
 - Policy option at school's discretion
 - May establish cut-off date for making change


§§ 668.55; 668.58



Verification
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- Documentation:
 - Verification of AGI, income earned from work, and taxes paid
 - Tax return or tax transcript
 - Signature of at least one filer
 - Do not need original signature
 - Numbers obtained via IRS Data Retrieval
 - Applicant not required to file tax return
 - Signed statement listing income or W-2s


§ 668.57



Verification
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- Documentation:
 - Unable to obtain tax return
 - Copies of W-2s
 - Self-certified statement of AGI
 - IRS grants 6-month tax filing extension
 - No requirement to obtain copy once filed
 - However, if school requires copy once filed, it **MUST** re-verify AGI and taxes paid


§ 668.57



Verification **TG**[™]

- Documentation:
 - School can accept tax returns signed by tax preparer (instead of tax filer)
 - Signature or stamp
 - Preparer name and address and
 - Social Security Number or
 - Employer Identification Number or
 - Preparer Tax Identification Number


§ 668.57



Verification **TG**[™]

- Tolerances
 - Any changes to eligibility for “subsidized student financial assistance” must be submitted to CPS
 - \$25 tolerance (rather than \$400 tolerance)
 - Non-dollar tolerances eliminated
 - Pell Grant eligibility must be recalculated and the award paid based on the revised EFC

§ 668.59



Helpful Resources



- AVG (download *FSA Handbook* from www.tgslc.org; Schools; Policies and Regulations)
- IRS publication 17 or 501 (www.irs.gov)
- NASFAA's "Using Federal Tax Returns in Need Analysis" (www.nasfaa.org)



Helpful Resources



- ED resources: ISIR Analysis tool, Verification tool, FSA Assessments
- TG's Policy Page on Program Integrity
 - www.tgslc.org/policy/integrity-rules.cfm
 - Federal Registers
 - One page summaries of Program Integrity issues
 - Shoptalk articles
 - ED and Industry resources
 - Regulations Roadmap and helpful charts



Call (800) 845-6267,
contact cust.assist@tgslc.org, or
visit Ask TG™ at tg.custhelp.com

Questions?

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