



Questions and Answers
"Verification in the Financial Aid Office" Webinar

Presented on January 21, 2010

Q: Why would a school choose not to verify 100% of students?

A.: A school is only required to verify application information that it has reason to believe is incorrect [34 CFR 668.54(a)(3)] or discrepant [34 CFR 668.16(f)], as well as CPS-selected files up to 30% of the school's total number of federal aid applicants in an award year. A school may choose, as a matter of its policy, to verify 100% of applicants; it may also choose, for a variety of reasons such as limited resources and staff, to verify only the required files.

Q: For 2009, will students will be able to file their tax returns and complete their FAFSA at the same time?

A.: In an Electronic Announcement released on November 5, 2009 (at <http://ifap.ed.gov/eannouncements/110509OverviewIRSDataRetrieval0910.html>), ED described the IRS data retrieval process. Beginning January 28, 2010, applicants who complete a 2009-2010 FAFSA, and who indicate "already filed" for their tax return status, will be able to transfer IRS data to the FAFSA and submit the FAFSA. However, neither ED nor the U.S. Treasury have officially announced plans to integrate the FAFSA application and IRS tax filing processes at this time.

Q: Does the W-2 transcript show all the codes that are requested on the FAFSA?

A.: The following types of untaxed income and benefits appear on the W-2:

- Payments to tax-deferred or sheltered pension and savings plans (paid directly or withheld from earnings) in boxes 12a through 12d of the W-2 with a codes of D, E, F, G, H, or S.
- Untaxed portion of combat pay in box 12, code Q.

Schools are not required to review income listed in box 14 of the IRS's W-2 form. See pages 21 and 22 of the 2009-2010 Application and Verification Guide (AVG).

Q: Are we required to know if a student and/or parent was required to file a 1040 or 1040A?

A.: You are obligated to know: (1) whether a person was required to file a tax return, (2) what the correct filing status for a person should be, and (3) that an individual cannot be claimed as an exemption by more than one person. The guidance on conflict information (found on pages 107-108 of the AVG) do not state that a school is required to know which form a taxpayer is required to file; however, ED does note that IRS Publication 17, pages 8-9, includes instructions on which form a person should file.

Q: Where can I find the tax tables on the IRS website?

A.: Tax tables can be located within the tax instructions (not the actual tax return form) for the applicable tax return, on the IRS web site at www.irs.gov. The tax tables can be useful in extracting an applicant's income in the event an applicant files a joint tax return, then experiences a change in marital status before filing the FAFSA.

Q: If we find that a student has committed tax fraud, what should we do?

A.: If you have reason to suspect a person has committed tax fraud, the IRS requests that you complete an IRS form 3949-A. This form is available on the IRS web site. If you suspect that a student has misreported information or altered documentation to fraudulently obtain federal funds, you should report your suspicions and provide any

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evidence to the Office of Inspector General (OIG). Contact information for the OIG is available on page 108 of the AVG.

Q: The slide states household size cannot be updated unless the application is selected for verification. We have students who change this info on the FAFSA after awarding. These are treated as discrepancies. Do we refuse to change unless federally verified OR do we now do an institutional verification to verify this new info?

A.: As stated on page 103 of the AVG, “household size or number in college cannot be updated unless the student is selected for verification.” Remember, however, that the school must select any file it believes contains discrepant information, so school selection may be the best resolution for this situation.

Q: Is there an age limitation to qualified members of the household?

A.: No. Any person may be included in the household size if he or she lives with and receives more than half their support from the student’s parent (in the case of a dependent student), or the student (in the case of an independent student), and will receive more than half support for the entire award year. See pages 32 and 36 of the AVG.

Q: If a student's ISIR has been flagged for verification, then the student withdraws prior to completion of verification, are we still required to complete verification in order to complete the R2T4 process of determining aid eligibility?

A.: The guidance from ED on this topic is extensive and case-specific. Please consult pages 5-30 through 5-32 of the AVG for complete information on the rules that apply when a school is completing an R2T4 calculation for a student subject to verification, and procedures for the following situations:

- When verification is completed before the return deadlines
- When verification is not completed before the return deadlines
- When verification is completed after the return deadlines

Q: If a child [in the household] is the student's brother or sister and he or she is under age 24, and their income is sufficient enough that they are self-sufficient, would you count them in the household size?

Whether a person can be included in the household size depends on whether the support test is met—in other words, does the child live with and receive more than half of his or her support from the student and will receive more than half support for the entire award year? The school may have to request additional documentation regarding the student’s and child’s income and expenses in order to determine if the support test is met.

Q: I had a applicant come in yesterday and both of his parents are dead. He is under 20 years old. He said he is living where he can; what do I do?

A.: Regarding the application and verification process, this student would be considered independent since he is an orphan. His household size would be one, with one in college, unless he has dependents who meet the support test.

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If this student originally completed the FAFSA as a dependent student and included his parents' information, then his application must be updated to reflect his independent status whether or not he was selected for verification (page 103 of the AVG).

Q: To follow-up with the unemployment benefits question, if a person is not required to file taxes, is it reported as untaxed income or wages?

A.: The AVG does not address this situation. However, since unemployment benefits are taxed, they cannot be included with other untaxed income and benefits; by default, then, the benefits would be included on the verification worksheet as “any income received.”

Q: We usually receive ISIRs within 90 days of when the FAFSA was signed, so in all of those cases are we able to skip verification of household size?

A.: Page 86 of the AVG states, “You don't have to verify household size if any of the following apply . . . you receive the student's ISIR or SAR within 90 days after the date the application was signed.”

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