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# 2016-2017 FAFSA Verification and Changes for 2017-2018

FASFAA Region V Fall Workshop  
Broward College - Pembroke Pines  
November 4, 2016

# 2016-17 FAFSA Changes

- Income threshold for an Automatic Zero EFC increased to \$25,000
- Change tax line references in taxes paid questions
  - Updated the question to read, “Enter your (and spouse’s) income tax for 2015. Income tax amount is on IRS Form 1040—line 56 minus line 46; 1040A—line 28 minus line 36; or 1040EZ—line 10.”
- Excess Advance Premium Tax Credit Repayment and the Health Care Individual Responsibility line items should not be included as taxes paid for Title IV purposes
- Reorder text in FAFSA questions 26, 28, 29 and 30

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# Verification

- Process of verifying accuracy of Free Application for Federal Student Aid (FAFSA) data
- Regulations define:
  - Whose application **must** be verified
  - FAFSA information to be verified
  - Documentation used to verify data elements
- Regardless of verification selection, **must** always resolve discrepancies and conflicting information

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# Topics

- Whose application must be verified
- Verification tracking groups and FAFSA information to be verified
- Acceptable documentation
- Policies and procedures

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# Verification Selection Process

- Customized approach
- Data elements selected each award year
- FAFSA information that must be verified:
  - Will vary from applicant-to-applicant
  - May be information that is not used in calculating applicant's expected family contribution (EFC)

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# Verification Tracking Groups

- For 2016–17, Central Processing System (CPS)-selected applicants are assigned to one of five verification tracking groups (V1, V4, V5 and V6)
- Same data elements as for 2015-16 award year
- Some modifications and clarifications to acceptable documentation
- Each tracking group determines items to be verified and required documentation

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# 2016-2017 Verification Changes

- Eliminated Child Support Paid (V3) as a separate verification group but applicants in V1, V4, V5 and V6 must still verify child support paid if reported on ISIR
- In limited circumstances, an applicant's Verification Tracking Group could change to V5
  - Applicant is only required to verify the additional items in V5 that were not previously verified
  - If the applicant is moved to V5 Group, no additional disbursements of any Title IV Aid may be made until verification is satisfactorily completed

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# 2016-2017 Verification Changes

## Verification Tracking Group changes:

- Applicants moved to Verification Tracking Group V5
  - If Title IV aid had been disbursed prior to receiving an ISIR with the new V5, and the applicant does not complete verification, the applicant is liable for the full amount of Title IV aid disbursed for 2016-2017
  - The institution is not liable

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# 2016-2017 Verification Changes

Applicants moved to Verification Tracking Group V5

- Verification can be set on the application or correction
- Verification Selection Change Flag
  - Y: indicates verification was not set and now record is selected for verification
  - C: indicates the verification tracking group has changed
    - This “C” is transaction specific

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# 2016-2017 Verification

## Income Information for Non-IRS Tax Filers

- Tax filers who filed an income tax return with a taxing authority in a **U.S. territory** (Guam, American Samoa, the U.S. Virgin Islands) or **commonwealth** (Puerto Rico and the Northern Mariana Islands) or with a **foreign central government**, must submit a copy of a transcript of their tax information
  - A signed copy of the applicable 2015 income tax return that was filed with the taxing authority is only acceptable if tax filers are unable to obtain a free copy of a transcript of their tax information

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# 2016-2017 Verification

## Income Information for Non-IRS Nontax Filers

- **Residents of the Freely Associated States** (Republic of the Marshall Islands, the Republic of Palau, the Federated States of Micronesia), and a **U.S. territory or commonwealth** or a **foreign central government** who are not required to file an income tax return under that taxing authority's rules must submit:
  - a copy of their Wage and Tax Statement (or equivalent documentation) for each source of employment income and
  - a signed statement identifying all of the individual's income and taxes

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# V1– Tax Filers

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

## Documentation:

- IRS DRT;
- Tax Return Transcripts;
- Alternate documentation where allowed (e.g. amended returns, foreign returns, etc.)

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# V1 – Non-Tax Filers

Income earned from work

Documentation:

1. Signed statement certifying:
  - a) Individual has not filed and not required to file 2015 tax return
  - b) Sources of income earned from work and amounts of income from each source for tax year 2015
2. Copy of W-2 for each source of employment income received for tax year 2015

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# V1 – Non-Tax Filers

- If an institution questions a claim that the tax filer is not required to file, must require applicant to submit a “Verification of *Nonfiling Letter*”
  - Obtained by the tax filer using IRS Form 4506-T and checking box 7
  - Verification of Nonfiling for 2015 tax year generally not issued until after June 15, 2016

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# V1 – All Applicants

## Documentation:

- Household size – signed statement (name, age, relationship)
  - Not required if:
    - Dependent student household size reported is 2 and parent is unmarried or 3 if the parents are married or unmarried and living together
    - Independent student household reported is one and applicant is unmarried or two if the applicant is married
- Number in College – signed statement (name of household member attending at least half-time and eligible institution name)
  - Not required if reported number is one (student)

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# V1 – All Applicants

## SNAP Benefits (if reported on ISIR)

### Documentation:

- Statement signed by applicant affirming SNAP benefits received by someone in household during 2014 and/or 2015
- If school has concerns with accuracy of information, the institution must obtain documentation from the agency that issued the SNAP benefits

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# V1 – All Applicants

## Child Support Paid (if reported on ISIR)

### Documentation:

- Statement signed by applicant/parent certifying:
  - Amount of child support paid
  - Name of the person who paid the child support
  - Name of the person to whom child support was paid and
  - Name and ages of children for whom child support was paid

Note: If the institution has reason to believe that information provided in the signed statement is inaccurate, the applicant must provide the institution with supporting documentation, such as checks, EFT transactions, etc.

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# V4—Custom

- HS Completion Status
- Identity/Statement of Educational Purpose
- SNAP Benefits (if reported on ISIR)
- Child Support Paid (if reported on ISIR)

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# High School Completion Status

## Documentation:

- HS diploma; or
- Final official HS transcript showing date diploma awarded; or
- “Secondary school leaving certificate” for students who completed secondary education in a foreign country and unable to get copy of HS diploma/transcript

**Note:** If, prior to being selected for verification, an institution already obtained HS completion status records for other purposes, the institution may rely on those records as long as it meets ED HS completion criteria

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# High School Completion Status

- For V4 and V5, if institution successfully verified and documented applicant's high school completion status for a prior award year, verification of high school completion status is not required for subsequent years
- DD Form 214 Certificate of Release or Discharge From Active Duty may serve as alternative documentation to verify a student's high school completion if it indicates that the individual is a high school graduate or equivalent
- An institution may not accept as alternative documentation an applicant's self-certification

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# High School Completion Status

In rare cases where it is impossible for a refugee, an asylee or a victim of human trafficking to obtain documentation of his or her completion of a secondary school education in a foreign country, an institution may accept self-certification from these applicants

- Q&A FHD-Q2/A2 (program integrity Q & A website under HSD)

Required information included:

- Proof of attempt to obtain documentation of their completion of a secondary school education in a foreign country
- Signed/dated statement that indicates applicant completed secondary school education in a foreign country along with
  - name and address of foreign high school and date foreign HS diploma was awarded
- Copy of entry status documentation showing status as a refugee, asylee, or victim of human trafficking and who entered the US after the age of 15

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# High School Completion Status

Documentation: Recognized equivalent of a HS diploma

- Copy of the student's General Educational Development (GED) certificate, an official GED transcript that indicates the student passed the exam, or a state-authorized HS equivalent certificate; or
- Academic transcript of a student who has successfully completed at least a 2-year program acceptable for full credit toward a bachelor's degree; or
- Student excelled academically in HS and met all criteria to be admitted into a 2-year degree program or higher

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# High School Completion Status

- Test transcripts of State-authorized examinations (e.g., GED test, HiSET, TASC, or other State-authorized high school equivalency examinations) are acceptable documentation of high school completion only if:
  - The official test transcript specifically indicates that a state has determined that the test results are considered by the State to meet its requirements of high school equivalency;
  - OR
  - The official test transcript includes language that the final score is a passing score

**DCL – GEN-14-06**

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# High School Completion Status

## Documentation: Homeschooled

- Transcript, or the equivalent, signed by the parent or guardian, that lists the secondary school courses completed by the applicant and documents the successful completion of a secondary school education;

OR

- A secondary school completion credential for home school provided for under State law

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# Identity/Statement of Educational Purpose

Documentation: students that appear in person

Present to an institutionally authorized individual

- A valid NON-EXPIRED government-issued photo ID; and
  - Cannot use military IDs
  - Does NOT have to be Real ID Act compliant (DOC-Q26)
- A signed statement of educational purpose
  - Provided by ED, cannot be modified
- Maintain an annotated copy of the identification:
  - The date documentation was received; and
  - The name of the institutionally-authorized individual that obtained the documentation

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# Identity/Statement of Educational Purpose

Documentation: student unable to appear in person

- Must provide the institution—
  - Copy of valid NON-EXPIRED government-issued photo ID
    - Cannot use military IDs
    - Does NOT have to be Real ID Act compliant (DOC-Q26)

AND

- An original, notarized statement of educational purpose signed by the applicant
  - Cannot be faxed or scanned
  - After examining the original Statement of Educational Purpose, the institution may convert it to an electronic record

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# V5—Aggregate

- HS Completion Status
- Identity/Statement of Educational Purpose

**AND**

- All items indicated-Tax Filer (V1)
- All items indicated-Non-Tax Filer (V1)

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# V6 – Household Resources

- All items indicated-Tax Filer (V1); or
  - All items indicated-Non-Tax Filer (V1);
- AND**
- Other untaxed income from 2016-17  
FAFSA:
    - Payments to tax-deferred pension and savings
    - Child support received
    - Housing, food, and other living allowances paid to members of the military, clergy, and others
    - Veterans non-education benefits
    - Other untaxed income
    - Money received or paid on the applicant's behalf

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# V6 – Household Resources

## Other Untaxed Income Documentation:

- Signed statement listing –
  - Sources and amounts of income for tax year 2015
  - Copy of IRS W2s for sources of employment income received for tax year 2015 where applicable
- If school determines amounts provided do not appear to provide sufficient support for family members reported, the applicant (and parent/spouse) must:
  - Provide additional signed statement listing other resources used to support family (may include items not required to be reported on FAFSA or other verification forms)
  - Explain how financially supported during 2015 calendar year

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# Items Verified Using Internal Revenue Service Data Retrieval Tool (DRT) or Tax Transcript

- AGI
- U.S. income tax paid
- Untaxed portions of IRA distributions
- IRA deductions and payments
- Untaxed pension and annuity distributions
- Tax-exempt interest income
- Education tax credits

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# October 18, 2016 Electronic Announcement

- Alternative documentation allowed when tax filer RECENTLY requested but unable to obtain an IRS Tax Return Transcript using the IRS paper or on-line request process
  - No alternative documents for telephone requests
  - Exception not permitted for –
    - transcripts unable to be obtained simply because the IRS has not had time to process the data due to a recent filing
    - saying the "Get Transcript Online" tool is not available

**\*\*\*\*For 2016-2017 award year\*\*\*\***

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# 2016-2017 – Transcript Unavailable

- Alternative documentation includes:
  - Signed copy of relevant 2015 IRS tax return
  - AND
  - *Statement from tax filer, on or attached to the return, certifying same data submitted to the IRS*

AND

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# 2016-2017 – Transcript Unavailable

- Documentation from the IRS that the tax transcript request was unsuccessful
  - For tax filers who requested a tax transcript using the IRS online transcript process (Get Transcript Online or by Mail), a signed and dated copy of the screen shot from the official IRS Web page that displays a message indicating that the tax transcript request was unsuccessful.
  - For tax filers who requested a tax transcript using IRS Form 4506T-EZ or Form 4506-T, a copy of the IRS response that was mailed to the tax filer stating that the IRS could not provide the tax transcript. The copy of the IRS response must be signed and dated by the tax filer.

AND

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# 2016-2017 – Transcript Unavailable

- Completed and signed IRS Form 4506 T-EZ or 4506-T listing institution as third party – only send to IRS if doubt accuracy

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# Tax Filers - Extensions

Person is required to file, but obtained **extension**, must submit:

- Program Integrity Q & A Website (DOC-Q16)
  - IRS form 4868 or IRS approval to extend beyond October 15 deadline
  - W-2 for each source of employment income
  - Signed statement by a self-employed individual certifying amount of AGI & US income tax paid
  - When above documentation reviewed, verification is considered complete (disbursements are valid)
- School may request transcript/IRS DRT when taxes are filed; must re-verify income information

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# Verification Policy Updates

Individuals who filed an amended tax return must submit the following documents to the institution:

- an IRS Tax Return Transcript, or any other IRS tax transcript(s) that include all of the income and tax information required to be verified; and
- a signed copy of the IRS Form 1040X that was filed with the IRS

**Guidance effective 8/13/15 for 15/16 and subsequent years**

**•Posted on Program Integrity Q & A website**

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# Verification Policy Updates

Victims of IRS tax-related identity theft must submit:

- Statement signed and dated by tax filer indicating they were victims of IRS tax-related identity theft and the IRS has been made aware of the tax-related identity theft (i.e. IRS Form 14039 Identity Theft Affidavit); and
- A Tax Return DataBase View (TRDBV) transcript obtained from the IRS by calling the IRS Identity Protection Specialized Unit (IPSU) at **1-800-908-4490**
  - Tax filers who cannot obtain a TRDBV transcript may instead submit another official IRS transcript or equivalent document provided by the IRS if it includes all of the income and tax information required to be verified

**Guidance applies to 15/16 and subsequent years**

- **Posted in 6/26/15 Federal Register Notice**

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# 2017-18 Verification

- For 2017–18, Central Processing System (CPS)- selected applicants are assigned to one of three verification tracking groups (V1, V4, and V5)
- Same data elements as for 2016-17 award year with the exception of changes from DCL-GEN-16-07

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# 2017-18 Verification

- DLC-GEN-16-07: 2017-2018 Award Year: FAFSA Information to be Verified and Acceptable Documentation 
  - Elimination of V6 Verification Tracking Group
  - SNAP and Child Support Paid will no longer be included in Verification Tracking Groups V1, V4 or V5.

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# 2017-18 Verification



- Confirmation of Nonfiling
  - Nontax filers and tax filers who received an extension but still have not filed their income tax return must provide confirmation of nonfiling dated on or after October 1, 2016. A confirmation of nonfiling can be obtained from the IRS using Form 4506-T and checking Box 7.
  - If appropriate, a similar confirmation from another taxing authority (e.g. a U.S. territory or a foreign government) is also acceptable.





# 2017-18 Verification



- DCL-GEN-16-14: 2017-18 Early FAFSA – Identification and Resolution of Conflicting Information
  - An applicant’s 2017-18 ISIR *will not* be flagged for institutional resolution, even if there is a significant change in the EFC, if
    - The student is not expected to be Pell Grant eligible based on the 2017-18 ISIR;
    - There was a change in the student’s dependency status between the two FAFSA years;
    - There was a change in the student’s or parent’s marital status between the two FAFSA years; or
    - Professional judgment was performed in either year. We remind institutions that upon making a professional judgment determination, it is very important that the CPS “Professional Judgment Flag” be set to “1.”

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# 2017-18 Verification



- If the CPS process described above results in the possibility of a significant change in a student's EFC and resultant Pell Grant eligibility, the student's 2017-18 SAR and ISIR will be flagged with a "C" code and a special new Comment Code 399 informing the institution that it must resolve the possible conflicting information.

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# 2016-2017 Verification Resources

- Federal Register Notice - June 26, 2015
- DCL GEN-15-11 - June 29, 2015
- 2016-17 FAFSA Verification – IRS Tax Return Transcript Matrix
  - <http://www.ifap.ed.gov/eannouncements/032316FAFSAVerification20162017IRSTaxReturnTranscriptMatrix.html>
- Program Integrity Q & A Website (“verification”)
  - <http://www2.ed.gov/policy/highered/reg/hearulemaking/2009/integrity-qa.html>
- EA 10/18/16 – Acceptable Documentation Update for 2016-17 Award Year Verification
- Federal Student Aid Handbook
  - Application and Verification Guide – Chapter 4
- Federal Regulations
  - 668 Subpart E (668.51 – 668.61); 668.16(f)

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# 2017-2018 Verification Resources

- DCL-GEN-16-07 – April 5, 2016
- DCL-GEN-16-14 – August 3, 2016

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# Verification Policies and Procedures

Must:

- Be written
- Address school options where flexibility exists
- Be made clear to all students
- Be consistently applied

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# Questions?



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