

# 2018-2019 Verification

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FASFAA Region V Fall Workshop  
Keiser University - Pembroke Pines  
November 9, 2018

# Topics

- Data elements subject to verification for 2018-19 award year
- 2018-19 documentation requirements
- Clarifications and recent guidance from ED
- Verification issues that present challenges to institutions
- Frequently asked questions related to verification



# 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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# 2018-19 Verification Tracking Groups

- Selection Process
  - Defined but not published by the U.S. Dept. of Education (ED)
  - Customized approach
- Tracking Groups
  - Standard Verification Groups – Tracking Flag V1
  - Custom Verification Groups – Tracking Flag V4
  - Aggregate Verification Groups – Tracking Flag V5

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# 2018–19 Verification Tracking Groups

*For each Verification Tracking Group, information items that must be verified are those that are not shaded in the chart below.*

Information That Must Be Verified	V1— Standard Verification Tracking Group	V4—Custom Verification Tracking Group	V5— Aggregate Verification Tracking Group
<b>Income Information: Tax Filers</b>			
• Adjusted gross income (AGI)	✓		✓
• U.S. income tax paid	✓		✓
• Untaxed portions of Individual Retirement Account (IRA) distributions	✓		✓
• Untaxed portions of pensions	✓		✓
• IRA deductions and payments	✓		✓
• Tax-exempt interest income	✓		✓
• Education tax credits (American Opportunity Tax Credit and Lifetime Learning Tax Credit)	✓		✓
<b>Income Information: Nontax Filers</b>			
• Income earned from work	✓		✓
<b>Number of Household Members</b>	✓		✓
<b>Number of Household Members in College</b>	✓		✓
<b>High School Completion Status</b>		✓	✓
<b>Identity/Statement of Educational Purpose</b>		✓	✓



# 2018–19 Verification Tracking Groups

## Standard Verification Tracking Group (V1)

### Tax Filers

- Adjusted gross income
- U.S income tax paid
- Untaxed IRA distributions
- Untaxed pensions
- IRA deductions and payments
- Tax exempt interest
- Education tax credits
- Household size
- Number in college

### Nontax Filers

- Income earned from work
- Household size
- Number in college

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# 2018–19 Verification Tracking Groups

- Custom Verification Tracking Group (V4)
  - High school completion status
  - Identity and Statement of Educational Purpose
- Aggregate Verification Tracking Group (V5)
  - Standard verification tracking group items based on tax filer or nontax filer status
  - High school completion status
  - Identity and Statement of Educational Purpose

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# 2018–19 Verification Tracking Groups

- Verification tracking group reassignment
  - Impacts which aid must be adjusted or returned (subsidized and/or unsubsidized)
  - See October 31, 2016 Electronic Announcement  
<https://ifap.ed.gov/eannouncements/103116ChangesinVerificationTrackingGroup.html>
- Automatic-Zero EFC Qualifiers
  - Dependent applicants
  - Independent applicants

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# Required Data Items for CPS- Selected Applicants

- 2018-19 required data items and documentation requirements published in
  - May 5, 2017 *Federal Register*
  - Dear Colleague Letter GEN-17-05  
<https://ifap.ed.gov/dpcletters/GEN1705.html>
  - August 16, 2017 Electronic Announcement  
<https://ifap.ed.gov/eannouncements/081617VerificationSuggestedTextPackage1819.html>
- Data elements the same as 2017-18
- Several changes to documentation requirements



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# **Verification Documentation Requirements and Changes for 2018–19**

# Reinstatement of IRS Data Retrieval Tool

- IRS Data Retrieval Tool (IRS DRT)
  - Offline for 2016–17 and 2017–18
  - Masked data for 2018–19
  - Unchanged IRS DRT

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# Reinstatement of Tax Transcripts

- Tax Transcripts
  - GEN-17-04 guidance
  - February 23, 2017 Electronic Announcement

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Internal Revenue Service  
United States Department of the Treasury

TAXPAYER IDENTIFICATION NUMBER: 0000000000

**Tax Return Transcript**

Return Date: 12-31-2012  
Return Date: 12-31-2012  
Taxpayer Name: LASTNAME

SSN Provided: 0000000000  
Tax Period Ending: Dec. 31, 2012

The following items reflect the amount as shown on the return (TR), and the amount as adjusted (RC), if applicable. They do not show subsequent activity on the account.

SSN:	0000000000
SPONSOR SSN:	
INBAL:	0000000000
ADDRESS:	0000000000
FILED STATUS:	Single
FURNISHED:	1000
CYCLE TYPE:	00112000
RECEIVE DATE:	06-12-2013

# Reinstatement of Verification of Nonfiling Letter for Nontax Filers

- Based on dependency status
- If selected for verification, IRS Verification of Nonfiling Letter or other confirmation of nonfiling from relevant tax authority required:
  - For a dependent student, each parent who did not file a tax return
  - Independent student and spouse if nontax filer
- Not required from dependent student

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# Reinstatement of Verification of Nonfiling Letter for Nontax Filers— Poll

Is IRS Form 13873 RAIVS acceptable as an  
IRS Verification of Nonfiling Letter?

Yes

No

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# Reinstatement of Verification of Nonfiling Letter for Nontax Filers

- Yes
- Acceptable alternatives include:
  - IRS Tax Return Transcript or Tax Account Transcript with a message indicating “no record of return filed” or “no transcript on file”
  - Any version of IRS Form 13873 clearly stating form is provided as verification of nonfiling, or stating IRS has no record of a tax return for the tax year



# Reinstatement of Verification of Nonfiling Letter for Nontax Filers

Acceptable alternatives if no Social Security Number (SSN) or Individual Taxpayer Identification Number (ITIN):

- A signed and dated statement:
  - Certifying individual does not have SSN or ITIN
  - Listing sources and amounts of earnings, other income, and resources for tax year
- If applicable, copy of W-2 for each source of employment, or equivalent document

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# Reinstatement of Verification of Nonfiling Letter for Nontax Filers

- Acceptable alternatives if living in foreign country:
  - All items on last slide; and
  - Proof of foreign taxing authority's filing requirements
- Can be something from taxing authority or its website



# Reinstatement of Verification of Nonfiling Letter for Nontax Filers

- Acceptable alternatives if living in foreign country:
  - If such documentation does not exist, or if individual is unable to obtain it, may provide signed and dated statement indicating either:
    - ❖ Taxing authority does not provide documentation; or
    - ❖ Individual was unable to obtain documentation after contacting taxing authority



# Tax Extensions—Automatic 6-Month

- Must provide:
  - Unchanged IRS DRT data;
  - A copy of the IRS Tax Return Transcript; or
  - An acceptable alternative tax transcript
- Can no longer provide alternative documentation such as IRS Form 4868 and W-2s



# Tax Extensions—Beyond 6 Months

- Must provide copies of:
  - IRS Form 4868, “Application for Automatic Extension of Time to File U.S. Individual Tax Return”
  - Unexpired IRS approval of extension beyond automatic 6-month extension
  - IRS Verification of Nonfiling Letter or other confirmation of nonfiling dated on or after 10/1/17
- W-2s or equivalent documents for each source of employment income received for tax year
- If self-employed, signed statement certifying amount of AGI and tax paid for tax year



# Tax Extensions

- School may choose to require finalized IRS DRT or tax transcripts after tax return is filed
  - If so, school must re-verify student
  - May not apply to those called up for active duty or qualifying National Guard duty during war, military operation, or national emergency
- See 10/31/16 Electronic Announcement, Chart C

<https://ifap.ed.gov/eannouncements/103116ChangeinVerificationTrackingGroup.html>

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# Tax Extensions—Poll

Does your school have a policy to require finalized IRS DRT data or tax transcripts after the tax return has been filed?

- Yes
- No

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# Automatic-Zero EFC Qualifiers

## Dependent Applicants

- Verify only:
  - Parents' AGI if tax filers (V1, V5)
  - Parents' income earned from work, if nontax filers (V1, V5)
- Student's high school completion status and identity/Statement of Educational Purpose (V4, V5)

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# Automatic-Zero EFC Qualifiers

## Independent Applicants

- Verify only:
  - Student's/spouse's AGI, if tax filers (V1, V5)
  - Student's/spouse's income earned from work, if nontax filers (V1, V5)
  - Number of household members (V1, V5)
  - Student's high school completion and identity/Statement of Educational Purpose (V4, V5)

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# Identity/Statement of Educational Purpose

- Appear in person at school to sign Statement of Educational Purpose and present valid unexpired government-issued photo identification (photo ID); or
- If unable to appear in person, present a signed notarized Statement of Educational Purpose and a copy of a valid unexpired government-issued photo ID acknowledged in notary statement or presented to notary

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# Identity/Statement of Educational Purpose - Poll

Is a Permanent Resident Card (I-551) acceptable for verifying identity and Statement of Educational Purpose?

- Yes
- No

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# Identity/Statement of Educational Purpose—Answer

- Yes
- Per ED, these can be photocopied for Title IV purposes

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# Identity/Statement of Educational Purpose - Poll

- Is a Certificate of Naturalization with a photograph but no expiration date acceptable as a valid government-issued photo ID when verifying identity/Statement of Educational Purpose?
  - Yes
  - No



# Identity/Statement of Educational Purpose—Answer

- Yes
- Per ED, these are now acceptable even without an expiration date, unless you cannot recognize the photo
- If photo is unrecognizable, another photo ID is required
- Until recently, ED had said no

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# Identity/Statement of Educational Purpose

Sample acceptable documentation:

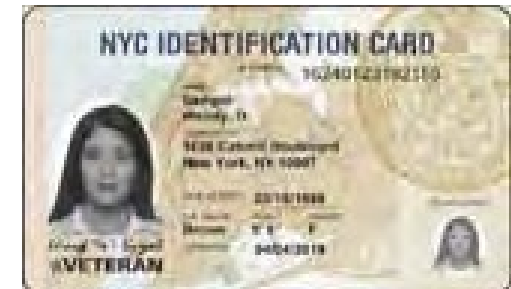
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# Identity/Statement of Educational Purpose

Sample acceptable documentation:

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# Identity/Statement of Educational Purpose

- Not acceptable:
  - Government-issued photo ID from a foreign country
  - Military IDs, because photocopying military IDs is prohibited
  - Student IDs, not even those issued by state schools

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# Amended Tax Returns—Poll

How is the school informed that an amended tax return has been filed by the tax filer?

- It is self-reported on the FAFSA
- It comes through the IRS DRT
- The school has to ask
- All of the above

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# Amended Tax Returns—Answer

- It comes through IRS DRT
- Not self-reported on 2018–19 FAFSA
- School is not required to ask
- If IRS DRT is used, IRS determines if amended tax return was filed
  - If so, IRS Request Flag is set to “07” for parent and/or independent student
  - School must follow up on all “07” Flags regardless of verification selection

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# Amended Tax Returns—Answer

- If IRS Request Flag “07” and selected for verification, school must require:
  - IRS Tax Return Transcript or any other tax transcript with all income and tax information from original tax return
  - IRS Form 1040X filed with IRS
- Can use IRS Record of Account Transcript instead of 1040X



# Amended Tax Returns—Answer

- If “07” and not selected for verification:
  - Must contact individual and make changes
  - May choose what documentation to collect
- Documentation could include:
  - Same documents as verification;
  - Signed copy of original tax return with 1040X; or
  - Signed statement explaining changes
- If later selected, will need tax transcript and 1040X



# Tax Filing Status—Married Filing Head of Household—Poll

Can a married parent file taxes as head of household?

- Yes
- No
- Maybe

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# Married Filing Head of Household—Answer

- Maybe
- If a married individual living apart from his or her spouse meets certain conditions, he or she would be considered unmarried for tax purposes and eligible to file as head of household



# Married Filing Head of Household—Answer

What is “considered unmarried” for tax purposes?

- The tax filer files a separate return;
- The tax filer paid more than half the costs of “keeping up a home” for the tax year;
- The tax filer’s spouse did not live in the tax filer’s home during the last 6 months of the tax year;
- The tax filer’s home was the main home of his or her child, stepchild, adopted child, or foster child for more than half the tax year; **and**
- The tax filer is able to claim an exemption for the child



# Married Filing Head of Household—Answer

Refer to guide to Filing Federal Tax Returns handout page 90

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# Tax Filing Status—Spouse Living In Another Country—Poll

Can an individual file a U.S. tax return as single if she is married and her spouse lives in another country?

- Yes
- No
- Maybe

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# Tax Filing Status —Spouse Living In Another Country—Answer

- No
- Considered married for whole year if, on last day of tax year, you and your spouse meet ***any one*** of the following tests:
  - You are married and living together as a married couple; **or**
  - You are living together in a common law marriage recognized in the state where you now live or in the state where the common law marriage began; **or**

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# Tax Filing Status —Spouse Living In Another Country—Answer

- Considered married for whole year if, on last day of tax year, you and your spouse meet **any one** of the following tests: (continued)
  - You are married and living apart, but not legally separated under a decree of divorce or separate maintenance; **or**
  - You are separated under an interlocutory (not final) decree of divorce



# Tax Filing Status —Spouse Living In Another Country—Answer

- Must file as either “married filing separately” or as “head of household”
- Will need to require individual to file an amended tax return to complete verification with original tax transcript and 1040X
- Same guidance applies to various situations, such as a spouse who has fled an abusive marriage



# Verification After No Longer Enrolled—Poll

Is verification required after the student is no longer enrolled for the award year but continuing in the next award year?

- Yes
- No
- It depends

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# Verification After No Longer Enrolled— Answer

- No
- Verification not required if student:
  - Selected after no longer enrolled for award year;
  - All Title IV disbursements have been made; and
  - Will not re-enroll later in same award year

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# Verification After No Longer Enrolled— Answer

- Any Title IV aid already disbursed to student while enrolled and eligible (and not selected for verification) remains intact
- Same applies if student changes verification tracking groups after no longer enrolled



# Verification After No Longer Enrolled— Answer

- Must complete verification if selected while still enrolled at your school for award year, even if student is no longer there
- See October 31, 2016 Electronic Announcement, *Changes in Verification Tracking Groups*  
<https://ifap.ed.gov/eannouncements/103116ChangesinVerificationTrackingGroup.html>

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# Failure to Complete Verification—Poll

Can verification of high school completion and identity/Statement of Educational Purpose be waived for a student who is only receiving unsubsidized aid?

- Yes
- No
- It depends

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# Failure to Complete Verification—Answer

- No
- Generally, not required to verify applicant if only eligible for unsubsidized Title IV aid
- High school and identity/Statement are potential student eligibility issues
  - Must be verified if selected
- See DOC-Q18/A18 on ED's Program Integrity Q&A Website—Verification
  - <https://www2.ed.gov/policy/highered/reg/hearulemaking/2009/verification.html>



# Failure to Complete Verification

- If verification of high school and identity/Statement (or V4 or V5) is never completed, student (not school) must return all Title IV aid for award year
  - Includes previously disbursed funds
  - Includes subsidized and unsubsidized aid
- Neither school nor student returns previously earned FWS

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# Failure to Complete Verification

If student fails to complete V1:

- Do not disburse additional Pell, FSEOG, or Perkins
- Cease FWS employment
- Do not originate or disburse Direct Loans
- Student must return any Pell, FSEOG, and Perkins received prior to being selected
- School must return interim disbursements made while waiting to complete verification

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# 2018-2019 Verification Resources

- NASFAA Webinar: Verification 2018-19
- Federal Register Notice – May 5, 2017
- Dear Colleague Letter GEN-17-05  
<https://ifap.ed.gov/dpcletters/GEN1705.html>
- October 31, 2016 Electronic Announcement  
<https://ifap.ed.gov/eannouncements/103116ChangesinVerificationTrackingGroup.html>
- August 16, 2017 Electronic Announcement  
<https://ifap.ed.gov/eannouncements/081617VerificationSuggestedTextPackage1819.html>
- Program Integrity Q & A Website (“verification”)  
<http://www2.ed.gov/policy/highered/reg/hearulemaking/2009/integrity-qa.html>
- 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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# Questions?



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