Verification: Dealing with the top issues for 2018-19

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Verification: Dealing with the top issues for 2018-19

April 5, 2018
Our mission is to enable individuals to achieve life-long success by empowering schools, students, and families with web-based college, financial aid, career, and financial literacy information and services.
Agenda

- Introduction
- Johns Hopkins University
- Verification tracking groups
- Comment codes 400, 401
- Montclair State University
- ISIR flags 06, 07
- Verification examples
- Mapping Your Future services
- Questions

Presenters

- Jennifer Martin
  Director, University Financial Aid Compliance
  Johns Hopkins University

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  Associate Director-Compliance
  Montclair State University
Verifying: Dealing with the top issues for 2018-19

Johns Hopkins University

Verify additional students due to use of institutional methodology (IM)
Verify additional data elements
Use two EFCs: FM and IM
Increased chance of conflicting information
### Verification tracking groups

<table>
<thead>
<tr>
<th>Information Required to be Verified</th>
<th>V1</th>
<th>V2</th>
<th>V3</th>
<th>V4</th>
<th>V5</th>
<th>V6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Household Size</td>
<td>X</td>
<td></td>
<td></td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number in College</td>
<td>X</td>
<td></td>
<td></td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>High School Completion</td>
<td></td>
<td>N/A</td>
<td>N/A</td>
<td>X</td>
<td>X</td>
<td>N/A</td>
</tr>
<tr>
<td>Identity/Educational Purpose</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Income/Tax Data</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
</tbody>
</table>
Verification 2018-19

<table>
<thead>
<tr>
<th>2016 Income Information for Tax Filer</th>
<th>2016 Income Information for Nontax Filer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted Gross Income</td>
<td>Income earned from work</td>
</tr>
<tr>
<td>U.S. Income Tax Paid</td>
<td></td>
</tr>
<tr>
<td>Untaxed Portions of IRS Distributions</td>
<td></td>
</tr>
<tr>
<td>Untaxed Portions of Pensions</td>
<td></td>
</tr>
<tr>
<td>IRA Deductions and Payments</td>
<td></td>
</tr>
<tr>
<td>Tax Exempt Interest Income</td>
<td></td>
</tr>
<tr>
<td>Education Tax Credits</td>
<td></td>
</tr>
<tr>
<td>Documentation of high school completion obtained prior to the 2018-19 award year is also acceptable.</td>
<td></td>
</tr>
</tbody>
</table>

Comment Codes 400 and 401
Comment Codes 400 and 401

FAFSA on the Web (FOTW) performs edits before applicant submits application.

When triggered, edits require applicant to confirm or correct information which triggered edit.

Now that data transferred using IRS Data Retrieval is encrypted, applicants cannot confirm or correct data which triggers certain edits.

Schools must now resolve data issues triggered by an edit that can no longer be displayed to applicants.
Comment Codes 400 and 401

Comment Code 400: Parent data

Comment Code 401: Student data

Applicant is a tax filer and transferred AGI is zero but income earned from work is greater than zero

Total Additional Financial Information reported is greater than transferred AGI

Any item on the FAFSA list of untaxed income is equal to or exceeds transferred AGI
Comment Codes 400 and 401

Review related FAFSA items

Collect additional documentation if needed

Submit corrections as needed

If school review confirms that none of the triggering conditions exist, no further action needed

May resolve by completing verification for Tracking Groups V1 or V5 on the same transaction
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IRS Data Retrieval Tool

Montclair State University

- Began in 1908 as a teaching college
- Four year public research institution offering nearly 300 majors, minors, concentrations and certificates
- Enrollment is 20,000+
- Verify approximately 3,500 files per year
ISIR flags 06, 07

Applicant or parent was eligible to use the IRS DRT and data was transferred from the IRS but, after submission of the FAFSA, a subsequent change made the applicant or parent ineligible to use the IRS DRT.
For example:

- Applicant reported that she was married and filed a joint tax return
- She used the IRS DRT to transfer information from that joint tax return and FAFSA is processed
- Then she corrects her marital status to divorced as of 02/2017
  - Becomes ineligible to use the IRS DRT

The correction to her marital status date means that she was not really eligible to use the IRS DRT initially
  - The tax return information provided on her FAFSA form is likely inaccurate

To resolve an 06 flag:

Contact the applicant or parent, as applicable

- Determine if the income tax return information that was transferred into the FAFSA form is correct (e.g., does it include information for the correct parties)
- Make any necessary changes to the applicant’s record if required
**ISIR Flag 06**

Not everyone with an 06 flag will be selected for verification

The 06 must be resolved regardless of whether the individual is selected for verification

- Review on a case-by-case basis

Begin by contacting student or parent

- Is the income and other info for the correct person(s)?

Can require student to correct FAFSA or can collect appropriate data to make corrections

- Documentation is up to school

**ISIR Flag 07**

Students and parents who filed an amended return (IRS Form 1040X) can use the IRS DRT

Income data will come from the original tax return filed

ISIR flag 07 will indicate that a 1040X was filed

To complete verification, you will need:

- Signed copy of the 1040x and
- Unchanged IRS DRT information OR
- IRS tax return transcript
You may also receive ISIR’s flagged with an 07 code that are not selected for verification.

You must contact the applicant or parent, as applicable, and make any necessary changes to any of the data items, regardless of whether those items are required to be verified.

School can choose what documentation it accepts to make the changes. This could include:

- The same documents acceptable for verification,
- A signed copy of the original tax return along with the 1040X, or
- A signed statement explaining the changes, if the school deems that to be appropriate.

If such an applicant is selected for verification later, the school must request the documentation required for federal verification.
Non-filing of Returns

If selected for verification:

- **Dependent student** - submit verification worksheet or institutional non-filer form
- **Independent student, spouse, parent** – he/she MUST submit documentation of non-filing from the IRS, regardless of whether or not the individual(s) worked in 2016
- **Parent without a SSN** – can submit verification worksheet or institutional non-filer form

If individual worked, must also submit W-2 forms

The IRS letter must be dated after October 1, 2017.
Non-filing

How students may request:

- Download a letter of nonfiling through “Get Transcript Online”
- Request a Tax Transcript through IRS “Get Transcript by mail”

Non-filing: IRS Form 4506-T

Welcome to Get Transcript

You can get various transcript types online or by mail. If you need your prior year Adjusted Gross Income (AGI) to e-file, choose the tax return transcript type when making your request.

The method you used to file your tax return, a file or paper, and whether you have a balance due affect your current transcript availability. Note: If you need a photocopy of your return, you must use Form 4506.

What You Need

To register and use this service, you need:

- your SSN, date of birth, filing status and mailing address from latest tax return.
- access to your email account.
- your personal account number from a credit card, mortgage, home equity loan, home equity line of credit or car loan, and
- a mobile phone with your name on the account.

What You Get

- Your, print or download your transcript
- Transcript types available online
- Username and password to return later

Non-filing: IRS Form 4506-T

6 Transcript requested. Enter the tax form number here (1040, 1040A, 1040X, 1120, etc.) and check the appropriate box below. Enter only one tax form number per request.

- a Return Transcript, which includes most of the line items of a tax return as filed with the IRS. A tax return transcript does not reflect changes made to the account after the return is processed. Transcripts are only available for the following returns: Form 1040 series, Form 1040X, Form 1120, Form 1120-A, Form 1120-H, Form 1120-L, and Form 1120S. Return transcripts are available for the current year and returns processed during the prior 3 processing years. Most requests will be processed within 10 business days.
- Account Transcript, which contains information on the financial status of the account, such as payments made on the account, penalty assessments, and adjustments made by the IRS. You can not file a return using this transcript. Account transcripts are available for your current tax return and returns processed during the prior 3 processing years. Most requests will be processed within 10 business days.
- Verification of Nonfiling, which is proof from the IRS that you did not file a return for the year. Current year requests are only available after June 20. There are no availability restrictions on prior year requests. Most requests will be processed within 10 business days.
- Form 8886, Form 8889, Form 8895, or the W-2s included. This type of transcript provides information from the W-2s. It is only available for those returns filed in 2012 or later. Most requests will be processed within 10 business days.

7 Verification of Nonfiling, which is proof from the IRS that you did not file a return for the year. Current year requests are only available after June 20. There are no availability restrictions on prior year requests. Most requests will be processed within 10 business days.

- Form 8886, Form 8889, Form 8895, or the W-2s included. This type of transcript provides information from the W-2s. It is only available for those returns filed in 2012 or later. Most requests will be processed within 10 business days.

Cautions: If you need a copy of Form W-2 or Form 1099, you must first contact the employer who paid you. To get a copy of the Form W-2 or Form 1099 filed with your return, you must use Form 4506 and request a copy of your return, which includes all attachments.

8 Year or period requested. Enter the ending date of the year or period, using the mm/dd/yyyy format. If you are requesting more than four years or periods, you must attach another Form 4506-T. For requests relating to quarterly tax returns, such as Form 941, you must enter each quarter or tax period separately.

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Non-filing samples

Tax Period or Periods: December, 2015
Return: 1040

Information About the Request We Received

Why We're Contacting You
We're contacting you to report on the status of the request we received.

Information About the Status of The Request
On February 16, 2017, your office submitted a request for taxpayer information.

We received a request dated February 16, 2017 for verification of non-filing of returns for above tax period or periods. We have no record of a filed Form 1040, 1040A, or 1040EZ using the above Social Security Number. You can consider this letter a verification of non-filing.

How To Contact Us
Please call us at 1-800-829-0922 if you have any questions regarding this letter or if you need additional information.

Sincerely Yours,

[Signature]

Patricia LaPenta, Director
Electronic Products & Svcs Support

“No record of return filed” sample

This Product Contains Sensitive Taxpayer Data

Tax Return Transcript

Request Date: 12-22-2015
Response Date: 12-22-2015
Tracking Number: 

SSN Provided: 
Form Number: 1040

No record of return filed.

This Product Contains Sensitive Taxpayer Data
Non-filing

IMPORTANT:

The IRS may provide the tax filer an IRS Form 13873. There are several versions of IRS Form 13873 (e.g. 13873-T, 13873-V, etc.).

Any version of IRS Form 13873 that clearly states that the form is provided to the individual as verification of nonfiling or that states that the IRS has no record of a tax return is acceptable documentation of nonfiling.

Verification examples
Verification example #1

Does CPS flag an ISIR if an applicant’s tax filing status is head of household and he or she is married or does not have dependents?

Verification example #2

- I have a student who misplaced his W-2. He was not required to file a tax return. He cannot obtain a copy the W-2 from his employer because the business closed.
- How can the student document his earnings to complete verification?
Verification example #3

- Dependent student’s 01 transaction includes Comment Codes 400 and 401
- Student
  - AGI transferred from IRS is zero, but student reported income earned from work greater than zero
- Parent
  - AGI transferred from IRS greater than zero
  - Total of Additional Financial Information reported is less than AGI transferred from IRS
  - Value of each item of untaxed income is less than AGI transferred from IRS

Verification example #4

- Married student indicated that she filed her taxes separately from her spouse.
- Spouse did not file, but met the requirements to file.
- Does the spouse not filing affect the student's ability to receive federal student aid?
Verification example #5

- Student's father was the sole income earner for 2016.
- The father was ill and passed away in early 2017.
- The wife didn’t earn any income.
- Neither of the parents filed taxes.
- How do we proceed with verification since taxes for 2016 were not filed and the primary income earner is now deceased?

Verification example #6

- Why would we receive an ISIR with parental income information included for an independent student?
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Mapping Your Future resources

Verification worksheets

- Includes active verification tracking groups V1, V4, V5
  - Individual worksheets by data collection item
  - Comprehensive worksheets by verification tracking flag
- Available to Member schools and schools in Sponsored states
MappingXpress®

- Secure document collection service
- Select document types to collect from students and parents
- Other customization options

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Thank you for your participation!

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