Verification: Dealing with the top issues for 2019-20

Audio

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Verification: Dealing with the top issues for 2019-20

April 23, 2019

MAPPING YOUR FUTURE.

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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.

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Agenda

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

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Presenters

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

- **Catherine Boscher-Murphy**
  Associate Director-Compliance
  Montclair State University

Johns Hopkins University

Johns Hopkins University and verification

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

Verification tracking groups

Information Required to be Verified	V1	V2	V3	V4	V5	V6
Household Size	X				X	
Number in College	X				X	
High School Completion		N/A	N/A	X	X	N/A
Identity/Educational Purpose				X	X	
Income/Tax Data	X				X	

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Verification 2019-20

2017 Income Information for Tax Filer	2017 Income Information for Nontax Filer
Adjusted Gross Income U.S. Income Tax Paid Untaxed Portions of IRS Distributions Untaxed Portions of Pensions IRA Deductions and Payments Tax Exempt Interest Income Education Tax Credits	Income earned from work
Documentation of high school completion obtained prior to the 2019-20 award year is also acceptable.	

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V4/V5 Reporting

Deadline

Which students to report

Documentation

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Acceptable documentation

Electronic Announcement dated January 9, 2019

Use of signed paper tax returns

Verification of non-filing

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IRS Data Retrieval Tool

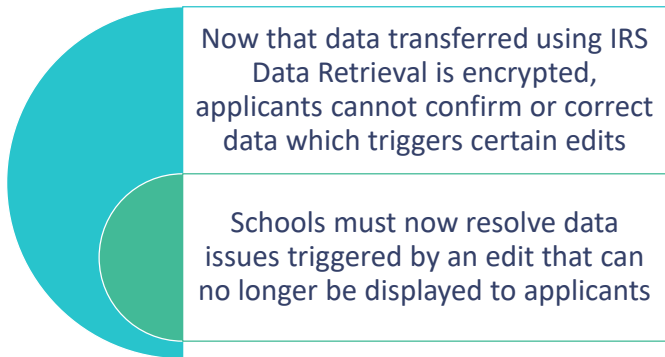

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Comment Codes
400 and 401

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400 and 401: Introduction

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

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

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400 and 401: Justification

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

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400 and 401: Parents and students

Comment Code 400:
Parent data

Comment Code 401:
Student data

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400 and 401: Scenarios to review

- 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

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400 and 401: Data elements

Total Additional Financial Info:
ED credits, Child support paid, Need-based employment, taxable grant and scholarship aid reported as income, combat pay and coop earnings.

FAFSA untaxed income:
Pension payments, IRA deductions, child support received, tax exempt interest, untaxed portion of pension or IRA distribution, housing allowance, VA non-educational benefits, other untaxed income.

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400 and 401: Is it real?

Review related FAFSA items

Collect additional documentation if needed

Submit corrections as needed

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400 and 401: Resolution

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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Montclair State University

- Began in 1908 as a teaching college
- Four year public research institution offering more than 300 majors, minors, concentrations and certificates
- Enrollment is 21,000+
- Verify approximately 4,000 files per year

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ISIR flags 06, 07

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ISIR Flag 06: Triggers

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.

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ISIR Flag 06: Example

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 2/2018
  ◦ 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

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ISIR Flag 06: Resolution

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

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ISIR Flag 06: Warning

- 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

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ISIR Flag 07: Triggers

- Students and parents who filed an amended return (IRS Form 1040X)

- The IRS DRT Income data will come from the original tax return filed

- ISIR flag 07 will indicate that a 1040X was filed

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ISIR Flag 07: Resolution (verification)

To complete verification, you will need:

- Signed copy of the 1040x and one of the following:
  ◦ Signed copy of the original 1040 submitted OR
  ◦ Unchanged IRS DRT information OR
  ◦ IRS tax return transcript

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ISIR Flag 07: Warning

- 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.

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ISIR Flag 07: Resolution (not verification)

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

- The same documents acceptable for verification, or

- 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.

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Non-filing of Returns

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Non-filing

New guidance provided by ED (1/9/19 Electronic Announcement)

If selected for verification:

- **Dependent student** - submit verification worksheet or institutional non-filer form

- **Parent without a SSN** – can submit verification worksheet or institutional non-filer form

If individual worked, must also submit W-2 forms

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Non-filing

Independent student, spouse, parent – still required to obtain the VNF letter from IRS.

If unable (individual made a good faith effort), school can accept:

- Signed statement that they tried to obtain the VNF letter
- Has not and will not file a tax return for 2017
- Individual must list all sources of income
- Provide all W-2's received

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

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Non-filing

How students may request:

- Download a letter of nonfiling through "Get Transcript Online"

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Non-filing: IRS Form 4506-T

Non-filing samples

"No record of return filed"


```
This Product Contains Sensitive Taxpayer Data

                 Tax Return Transcript

                               Request Date:    12-02-2016
                               Response Date:   12-02-2016
                               Tracking Number:

SSN Provided:
Tax Period Ending: Dec. 31, 2015
Form Number:      1040


No record of return filed.

            This Product Contains Sensitive Taxpayer Data
```

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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.

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Combat pay

- Seems to be unusual number of FAFSA's with reported combat pay
  ◦ In many cases, this is a CPS assumed value

- Amounts can be quite significant

- Student or parent side or both

- Impacts EFC

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Verification examples

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Verification example #1

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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

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- A student misplaced his W-2. He was not required to file a tax return. He cannot obtain a copy of 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 Code 400

- Parent
  ◦ AGI transferred from IRS greater than zero
  ◦ Total of Additional Financial Information reported is less then AGI transferred from IRS
  ◦ Value of each item of untaxed income is less than AGI transferred from IRS

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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?

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Verification example #5

- Student's father was the sole income earner for 2017.
- The father was ill and passed away in early 2018.
- The mother didn't earn any income.
- Neither of the parents filed taxes.
- How do we proceed with verification since taxes for 2017 were not filed and the primary income earner is now deceased?

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Verification example #6

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

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Resources

Resources

- Federal Student Aid Handbook Application and Verification Guide 2018-2019

- 2019-20 Verification Suggested Text Package - Electronic Announcement dated June 8, 2018

- 2019-20 Award Year: FAFSA Information to be Verified and Acceptable Documentation - GEN-18-03 dated March 29, 2018

- IRS Announced Updated Tax Transcripts Redacting Sensitive Information - Electronic Announcement dated October 4, 2018

- Changes to 2018-2019 and 2019-2020 Verification Requirements - Electronic Announcement dated January 9, 2019

- NASFSAA 2019-20 IRS Tax Return Matrix https://www.nasfaa.org/tax_transcript_decoder
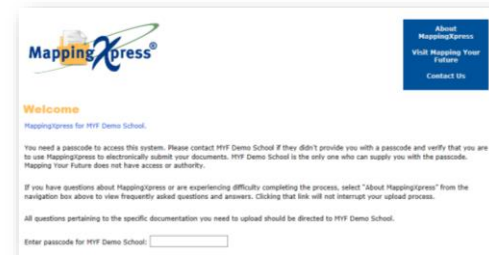
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Verification worksheets

- 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

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MappingXpress®

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

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- Newsletter signup
  - mappingyourfuture.org/newsroom/subscribe.cfm

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  - Facebook
    www.facebook.com/pages/Mapping-Your-Future/
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    twitter.com/MYFinc
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Thank you for your participation!

Beth Ziehmer
(713) 394-3443
(800) 374-4072
feedback@mappingyourfuture.org

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