



**Document History**

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## Federal Verification-Introduction

### **Purpose**

The Central Processing System selects students for Federal Verification and assigns a verification group. There are three active Verification Groups: V1, V4 and V5. The Federal Verification process is utilized to authenticate the data elements included on the student's Free Application for Federal Student Aid and in accordance with the Code of Federal Regulations, 34 CFR 668, subpart E.

This guide details how to conduct a verification review, describes how to resolve conflicting information and identifies acceptable documentation.

### **Policy:**

UB must verify applications selected by the Central Processing System (CPS) for students who will receive or have received need-based student financial assistance. Verification is not required for students who are only eligible for non-need-based student financial. Students who are eligible for both need based and non-need based Title IV aid may not avoid verification by accepting only non-need based aid; they must complete verification to receive any Title IV aid.

### **Guiding Principles:**

1. The Verification Worksheet is the official verification documentation. We take it at face value for the non-income and tax related questions.
2. Be sure to confirm the student/parent signed where applicable.
3. We are not trying to detect fraud. Complete the verification review with this in mind. However, if you come across conflicting information, ask the student for additional information. The university is required to resolve all conflicting information.
4. Review all information that you are required to review.
5. Ensure that you are looking at the wages to confirm if the student is required to file.
6. All students/parents selected for Federal Verification must request a letter of non-filer status-regardless of income and the IRS filing requirements. This is a regulatory requirement and cannot be overridden by institutional policy.
7. Complete the Institutional Verification Worksheet in its entirety according to the example in the back on the UB Verification Business Guide.
8. Don't forget to assign the applicable verification checklist item(s) and correct status.
9. If you have any questions, ask! This is not meant to be a stressful process.

Verification Groups

A federal verification tracking flag will be set on the applicant’s Institutional Student Information Record (ISIR). Students who are selected for verification will be placed in one of the following groups to determine which FAFSA information must be verified. Students selected for verification will have a checklist<sup>1</sup> assigned in HUB.

Verification Tracking Flag	Verification Tracking Group Name	FAFSA Information Required to be Verified
V1	Standard Verification Group	<u>Tax Filers</u> 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 <u>Nontax Filers</u> Income Earned from Work <u>Tax Filers and Nontax Filers</u> Number of Household Members Number in College
V4	Custom Verification Group	High School Completion Status Identity/Statement of Educational Purpose
V5	Aggregate Verification Group	<u>Tax Filers</u> 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 <u>Nontax Filers</u> Income Earned from Work <u>Tax Filers and Nontax Filers</u> Number of Household Members Number in College High School Completion Status Identity/Statement of Educational Purpose

<sup>1</sup> Refer to **Appendix E: Checklist Summary** for a list of Checklist Items and resolutions.

### Documentation Quick Guide

To update and/or correct the applicant’s FAFSA, the acceptable documentation may include but is not limited to:

Required Standard Verification Items		Acceptable Documentation
<b>Student/Spouse:</b> AGI U.S. Income Tax Paid Untaxed Portions of IRA Distributions Untaxed Portions of Pensions IRA Deductions and Payments Tax Exempt Interest Income Education Tax Credits	<b>Parent:</b> AGI U.S. Income Tax Paid Untaxed Portions of IRA Distributions Untaxed Portions of Pensions IRA Deductions and Payments Tax Exempt Interest Income Education Tax Credits	IRS Data Retrieval Tool (DRT) with IRS DRT code 02 or IRS Tax Return Transcript (TRT) or Signed copy of 1040 with applicable Tax Schedules
<b>Student/Spouse:</b> Income Earned from Work	<b>Parent:</b> Income Earned from Work	Nontax Filing Form with W-2 form(s)
<b>Student/Spouse:</b> Number of Household Members	<b>Parent:</b> Number of Household Members	Verification Form
<b>Student/Spouse:</b> Number in College	<b>Parent:</b> Number in College	Verification Form
<b>Student:</b> Identity/Statement of Educational Purpose		Identity/Statement of Educational Purpose Verification Form
<b>Student:</b> High School Completion Status		Official High School transcripts with graduation date collected by the Admissions Department

### Additional Guidance:

- The FAFSA must be submitted and processed prior to the student’s last day of attendance (LDA) to be considered for grants and government loans. Offered federal loans must be accepted by the LDA to qualify for disbursement as published on the Financial Aid Calendar.
- The regulatory deadline to submit verification documents is 120 days after the student’s last date of attendance or the close of an aid year (i.e. September), whichever comes first.
- For additional information on specific deadlines refer to the Verification Institutional Policy document.

## Section 1: Non-Income Related Verification Items

### 1.1 Household Size and Number in College Verification

#### **Purpose**

To verify the number of household members and the number of household members in college when an applicant is selected by CPS (Central Processing System) for Standard Verification (i.e. V1 and V5).

#### **Policy**

A student's and/or parents' (of a dependent student) household size and number of household members in college must be verified each aid year as identified by CPS. CPS will set a Verification Tracking Flag on selected applicant's ISIR indicating that the applicant was selected by ED verification.

Verification Tracking Groups V1 and V5 require verification of the number of household members and the number in college for all tax and nontax filers.

To verify the number in the household and the number in college, the student will provide the following information:

- the full name of each household member
- their age
- the relationship to the student
- if the household member will be enrolled at least half time in a degree or certificate program at an eligible school, the school's name must be provided on the form

If the student is considered dependent, the parent must also sign the household size form.

Only household members that will be financially supported at least 50% or more during the aid year that either the student (if independent) or parent(s) (if dependent) can be included in the household size.

Updates to household size may be made throughout the aid year but may only be updated through verification. After the applicant has been verified or packaged, any changes made to household size will be identified by the subsequent ISIR process and will be reviewed on a case-by-case basis. The household size should be a snapshot of the number of members at the time the FAFSA is signed, or verification has been completed.

**Acceptable documentation:** to document the household size and number in college, the student needs to provide a statement signed by themselves and, if dependent, at least one parent that gives the name, age, and relationship to the student of each person in the household. The signed Verification Worksheet satisfies this requirement.

**Additional Guidance:** The rules for including someone in household size are as follows:

- The student is always included, even if the student isn't living at home.
- Parents cannot be included in a dependents student's verification of number in college.
- The student's parents are included if the student is dependent. If the student's parents are separated or divorced, only the custodial parent is counted.
- If the student is dependent, the student's siblings and children are included if they will receive more than half their support from the student's parents during the award year, OR they would be considered dependent based on the dependency status questions (i.e., they could answer no to all the dependency status questions). The student's siblings do not need to be students or to live at home to be included.
- If the student is dependent, the household size is made up of the number of people who the parent(s) support more than 50% during the aid year. The number in college is determined by the number of people that the parent(s) will support more than 50% during the aid year and will be attending a Title IV eligible school at least ½ time in that same aid year.
- Fiancé/Partner and boyfriend/girlfriend cannot be included in the household size unless additional information is provided to prove that the person is being supported by the student/parent by more than 50%. Examples of acceptable documentation to support this include such things as insurance coverage documentation or being claimed as an exemption (i.e. dependent) on a tax return.
- An unborn child can be included in the household size if they will be born within the aid year which runs July 1<sup>st</sup> to June 30<sup>th</sup> of the applicable aid year. To confirm the status of an unborn child, the student must submit a doctor's note indicating the due date.
- If the student/parent are married the spouse needs to be listed in the household.
- Dependent students must include at least one parent on the household size form even if the student does not live at home with the parent.
- Foster children do not count in the household size as their costs are covered by foster care payments. However, children in "kinship foster care" for whom no benefits are provided can count in the household size if they meet the tests for other persons, i.e. if they live with and receive more than half their support from their foster parents for the award year.
- If you have reason to doubt whether a reported school is Title IV eligible, you must insure it is, such as by checking to see if it has a federal school code.

## 1.2 Marital Status Verification

To verify the current marital status of students and/or parent(s).

### **Policy:**

Generally, a student and/or parent(s) cannot update information that was correct as of the date the Free Application for Federal Student Aid (FAFSA) was completed because the FAFSA is a “snapshot” of the family’s financial situation as of that date.

However, a marital status that was incorrectly reported on the initial FAFSA can be corrected. An example might be, a student and/or parent(s) who filed a single tax return, then marries in January, completes the FAFSA in February and reports a status of single on the FAFSA. If a student and/or parent(s) incorrectly reported their marital status on the FAFSA staff may correct mistakes by collecting acceptable documentation such as a marriage certificate and divorce decree.

Conflicting information may also require clarification of marital status. This is considered a correction if the student and/or parent reported their marital status on the FAFSA in error. Examples are below.

- Married filing jointly/Married filing separately on the tax information AND reported divorced/separated on the FAFSA; or
- Head of Household/Single on the tax information AND reported married on the FAFSA; or
- A spouse or step-parent is listed on UB Household Size Verification form BUT reported single on the FAFSA.

When a student marries after they file the FAFSA, staff may update the student’s marital status on the FAFSA based on professional judgment by collecting acceptable documentation within the approved time frame.

**Procedure:** Changes to marital status on the ISIR can be made during the verification process. If the marital status update is for a student who would otherwise be dependent (by age), then the marital status update should be requested through a submission of a Dependency Override.

### 1.3 High School Completion Status

For applicants placed in Verification Tracking Groups V4 and V5, the institution must successfully verify and document the applicant's high school completion status for a prior award year. Verification of the applicant's high school completion status is not required for subsequent years.

**Acceptable documentation:**

1. A copy of the students High School diploma with the student's graduation date listed.
  - a. Log into Image Now and select the Registrar Transcript View
  - b. Search for High School diploma, or GED in the admission's imaging queue or equivalent
  - c. Verify graduation date
  - e. Mark checklist item completed
2. A copy of the student's DD214-providing the student's graduation date is listed
3. No credential is on file:
  - a. Do not complete the HS checklist Item-leave as initiated. Check Admissions tab in HUB. If HS Transcript lists "Final", "Official", "Received" and a date that occurs AFTER the student's graduation date (June of his or her senior year), proceed to step b. If HS Transcript section indicates anything other than the above data, proceed to step c.
  - b. Email an Enrollment Services Advisor in Admissions to confirm status of HS Transcript (One on file or not). Request copy if we have one on file. If none on file, proceed to "c".
  - c. Assign the (O/F)HSCMP checklist and set the status to Initiated in checklist management 2 of the V4 Checklist
  - e. Assign an FRVHVH Checklist (verification on hold).

#### 1.4 Identify and Educational Purpose

Students who are selected for the V4 verification group by ED, are required to confirm their identity and provide a statement of educational purpose. UB requires students to submit the Identity Verification and Statement of Educational Purpose form with attached acceptable documentation.

**Acceptable documentation:**

Consists of a valid, unexpired government issued Photo Identification (ID), which may include any of the following:

- Driver's license
- Military ID
- Passport
- Identification card (state issued)

**Unacceptable forms of Identification:**

- Student school ID's
- Bank cards

**Procedure:** The Identity Verification and Statement of Educational Purpose form must be notarized, and all sections must be completed in order for the form to be processed-if not presented in person. Students who appear in person must present a valid unexpired government issued Photo ID.

1. Copy the document presented
2. Student signs the Identity and Education Purpose Form in person.
3. Mark the O/FIDEDP Identity and Education Purpose checklists Item completed.

## Section 2: Tax Returns

### 2.1 Filing Requirements

For federal financial aid purposes a parent is defined as a biological or adoptive parent(s) or step parent(s) if married to custodial parent.

- If the student or their parent wasn't married during the prior prior year, but is married when the application is signed, the student also needs to provide income and asset information for the new spouse.
- If the student or their parent was married in the prior prior year, but is separated or divorced or the spouse has died when the application is signed, the student or parent doesn't provide income and assets for that spouse even though the information may be on the 2015 tax forms.

### 2.2 Filing Status

Filing status options on the FAFSA are "Single," "Head of Household," "Married-Joint," "Married-Separate," "Widow(er)," and "Don't Know." Correct filing status used must match the TRT. Make sure that the tax filing status used is correct given the family dynamics. Also note, filing status is used to be sure there is no conflicting information with marital status reported on the FAFSA for both the student and parent.

- a. In general, married filers will be using "Married-Joint." If "Married-Separate" status is used, be sure that a spouse tax information is collected and verified.
- b. Married filers may not use "Head of Household" filing status, except in two situations:
  1. The tax filer has a qualifying dependent and treats spouse as a non-resident alien. Topic 851 – Resident and Nonresident Aliens
  2. The tax filer has a qualifying dependent and was "considered unmarried" for the last 6 months of the tax year.
- c. Refer to Appendix A: for Filing Requirements

## 2.3 Tax Documentation

Students and/or parents required to file a U.S. tax return (i.e. 1040, 1040A, or 1040EZ), can choose from the following options to complete federal tax verification.

**2.3.1 Data Retrieval Tool (DRT):** Applicants who use the DRT can import the information from the IRS tax return into the FAFSA.

a. The following items are imported from IRS form 1040 to a student's FAFSA via the DRT:

- type of tax return filed
- adjusted gross income
- income earned from work
- filing status
- taxes paid
- exemptions
- education credits
- tax-exempt interest
- untaxed IA
- untaxed pensions
- IRA deductions
- income
- distributions

The ISIR will contain student and/or parent IRS Data Retrieval Tool (DRT) Display flags that will help UB determine which type of tax documents the applicant and their family should submit given their family dynamics.

**Note:** Refer to Appendix C for a complete list of IRS Display Fields

**Procedures:** when the student/parent use the DRT:

- The IRS Request Flag will be set to '02'.
- The tax checklist item will automatically be waived in HUB.

- 2.3.2 IRS Transcript:** for students who cannot or will not use IRS Data Retrieval, at initial FAFSA filing or through the FOTW correction process, they must document AGI, taxes paid, and untaxed income by providing an IRS tax return transcript for the student and spouse or parents, as applicable.

**Obtaining an IRS Tax transcript:**

- Order online at <http://www.irs.gov/Individuals/Get-Transcript> by clicking on the “Get transcript by Mail” button. Transcripts arrive in 5 to 10 calendar days at the address the IRS has on file. Or click on “Get Transcript Online” button, and request a TRT and print it immediately in PDF format.
- Call 1-800-908-9946 and use the IRS automated phone system to request one be mailed to you. Transcripts arrive in 5 to 10 calendar days at the address the IRS has on file.
- Use the IRS2Go smartphone app to request one be mailed to you. Transcripts arrive in 5 to 10 calendar days at the address the IRS has on file. For Apple iPhone, iPad, or iPad Touch, download the free IRS2Go app by visiting the iTunes app store. For Android devices, you can visit Google Play to download the free IRS2Go app.
- Note: The 1098 T information is not on the tax transcript. It is only on a tax form. In addition, the 1098T reflects billed tuition and fee amounts and not **paid** tuition and fees.

**Additional Guidance: IRS Transcript Types**

- Tax Return Transcript (TRT) - shows most line items from the tax return (1040, 1040A, or 1040EZ) as it was originally filed, including any accompanying forms and schedules. It is requested by using any of the four methods above.
- Record of Account Transcript (for amended tax returns only) - combines the information from both the tax account and tax return transcripts. If the 1040X was recently filed, the Record of Account Transcript may not be available for 8 to 12 weeks. It can ONLY be ordered by completing and submitting the Form 4506-T Request for Transcript of Tax Return to the IRS. Once available, the Record of Account Transcript can take up to 30 days to arrive by mail to the address the IRS has on file.
- ACCEPT ONLY IN LIEU OF A W-2: Wage and Income Transcript - shows data from information returns we receive such as Forms W-2, 1099, 1098, and Form 5498, IRA Contribution Information. Current tax year information may not be complete until July of the tax filing year.
- DO NOT ACCEPT: Tax Account Transcript - shows basic data such as return type, marital status, adjusted gross income, taxable income and all payment types. It also shows changes made after you filed your original return. Copies of tax returns.

## 2.4 Evaluating a Tax Form

When a student's FAFSA data results in the ISIR meeting any of the verification criteria determined by CPS for Standard Verification (i.e. V1 and V5) student/parent federal tax information must be verified. In order to comply with this requirement, acceptable documentation includes:

1. An ISIR that contains a 02 DRT Code,
2. Submission of an IRS Tax Transcript,
3. Submission of the Verification of Non-Filing Letter and with W-2's and/or 1099 MISC forms, or
4. Submission of a signed 1040 with applicable tax schedules.

### **Policy:**

Financial aid administrators (FAA) are not expected to be tax experts. However, there are a few elements of tax law that FAA must be familiar with when completing verification:

- FAAs must know if the individual is required to file a tax return based on the income that they report to us and we must also know if the filing status is correct.
- Any conflicting information must be resolved prior to the student becoming eligible for federal student aid.

It is also important to note that students and parents who can are encouraged to utilize the **IRS DRT** when completing the FAFSA. An ISIR with a Data Retrieval Code of "02" is considered equivalent to an IRS tax return transcript and will satisfy the standard verification requirement for tax information.

## 2.5 Amended Returns

In some cases, parents and/or students may file an amended tax return to correct errors that appear on the original tax return. Students or parents who file the Amended Tax Return form (1040X) can use the DRT, however their original tax information will import from the IRS.

Procedures: when the student/parent amended their Taxes and use the DRT:

- The IRS Request Flag will be set to '07'
- The Amended Tax Return checklist will populate in HUB and the amended tax return will need to be requested.

### **Acceptable Documentation:**

- a. A signed copy of the IRS Form 1040X that was filed with the IRS.
- b. Filers of joint returns who are no longer married: when dependent students' parents file a joint return; and have separated, divorced, married someone else, or been widowed, the students must submit:
  - An IRS Tax transcript and
  - A copy of each W-2 form for the parent whose tax information is on the FAFSA.

### **Note:** IRS Transcript Types:

- The TRT shows most line items from the tax return as it was originally filed including any accompanying forms and schedules. Student must request a Tax Return Transcript from the IRS in order to complete the verification process.
- The Record of Account Transcript combines the information from both the tax account and tax return transcripts. It can ONLY be ordered by completing and submitting the Form 4506-T Request for Transcript of Tax Return to the IRS. Once available, it can take up to 10 days to arrive by mail to the address the IRS has on file. If the 1040X was just recently filed, the Record of Account Transcript may not be available for 8 to 12 weeks.

## 2.6 Foreign Tax Return

To verify income information, 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.

**Acceptable Documentation:** As outlined below, the necessary documentation required depends on the foreign country or U.S. Territory.

*Residents of Puerto Rico will need:*

- Signed Puerto Rican Tax Return (due to a fee being charged), OR
- For non-tax filers from Puerto Rico, a copy of their W-2 (or equivalent) for each source of employment income received AND a signed statement identifying all of their income (i.e. Non Tax Filing Form).

*Residents of the Republic of the Marshall Islands, the Republic of Palau, or the Federated States of Micronesia will need:*

- A copy of all their “Wage and Tax Statements” from each employer AND
- A signed parent(s) statement identifying all of their income (i.e. Non Tax Filing Form).

*Residents of American Samoa:*

- American Samoa Tax Transcript (which is free of charge), OR

*For non-tax filers from American Samoa,*

- A copy of their W-2 (or equivalent) for each source of employment income received AND a signed statement identifying all of their income (i.e. Non Tax Filing Form).
- Residents of Guam, the Commonwealth of the Northern Mariana Islands, and the U.S. Virgin Islands will need:
- Signed Tax Return for Guam, the Commonwealth of the Northern Mariana Islands, and the U.S. Virgin Islands (due to a fee being charged).

*For non-tax filers of Guam, the Commonwealth of the Northern Mariana Islands, and the U.S. Virgin Islands:*

- A copy of their W-2 (or equivalent) for each source of employment income received AND;
- a signed statement identifying all of their income (i.e. Non Tax Filing Form).

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*(Section 2. Foreign Tax Return Continued)*

*Residents of Other Foreign Nations Not Mentioned Above will need:*

- Foreign Tax Transcript\* with a copy of English translation, OR
- For foreign non-tax filers, a copy of their W-2 (or equivalent) for each source of employment income received AND a signed statement identifying all of their income (i.e. Non Tax Filing Form).

**Additional Guidance**

- \*Only in situations where the tax filer is unable to obtain a free copy of the foreign tax transcript, can the tax filer submit a signed copy of their foreign tax return (equivalent to the IRS 1040) that was filed with the foreign taxing authority along with documentation that the foreign tax authority charges a fee to obtain the foreign tax transcript.
- If the tax data is not in U.S. dollars, you must use an online currency converter, using the date the FAFSA was filed, to determine what dollar amounts to enter on the FAFSA.

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**Section 3: Non-Tax Filers**

Applicants and or parents where there is No Data Available, has not filed/will not file a tax return, or is not required are still required to submit proof of income.

3.1 **No Data Available:** An individual who did not retain a copy of his or her prior prior year tax account information or for whom that information cannot be located by the IRS (or other relevant taxing authority).

**Acceptable documentation:**

- Copies of all of their IRS Form W–2s, a wage and income transcript, or an equivalent document or;
- Documentation from the IRS or other relevant taxing authority that indicates the individual’s prior prior tax account information cannot be located; and
- A signed statement that indicates that the individual did not retain a copy of his or her Prior prior year tax account information or;
- Submit a copy of their Wage and Tax Statement (or equivalent documentation) for each source of employment income received for the prior prior year and a signed statement identifying all of the individual’s income and taxes for the prior prior year.

3.2 **Has not filed:** when dependent students’ parents have not filed a tax return.

**Acceptable Documentation**

- Submit a W-2 form for each source of employment income and;
- a signed statement giving the sources and amounts of the person’s income earned from work not on W-2s and;
- Request and submit the IRS Certification “Verification of Non filing Letter” that the person has not filed and is not required to file a tax return.
- Parents who are required to file should be instructed to do so; verifications will remain unprocessed until a return is completed<sup>2</sup>.

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<sup>2</sup> Unless the student is ONLY eligible for non-need based aid i.e. unsubsidized or PLUS loans.

**3.3 Not required to file:** The applicant or parent was not legally required to file an income tax return<sup>3</sup>

**Acceptable Documentation**

- you must receive a W-2 form for each source of employment income and;
- You must also get a signed statement giving the sources and amounts of the person's income earned from work not on W-2s and;
- IRS Certification "Verification of Non-filing Letter" that the person has not filed a tax return.

**3.4 For residents of the Freely Associated States (The Republic of the Marshall Islands, The Republic of Palau, or The Federated States of Micronesia):**

**Acceptable Documentation:**

- A copy of the wage and tax statement from each employer and a signed statement identifying all of the person's income and taxes for the year is acceptable.

**3.5 Persons from a U.S. territory or commonwealth or a foreign country who are not required to file a tax return**

**Acceptable Documentation:**

- Provide a signed statement certifying their income and taxes paid.

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<sup>3</sup> Note: that verification of non-filing is not an indication that the person is not required to file a return, rather, it is confirmation that the applicant/ parent did not file one.

**Additional Guidance:**

- Financial aid professionals are not expected to have special knowledge or expertise regarding the U.S. tax code. However, FAAs are responsible for ensuring due diligence.
- If someone whose data are required on the FAFSA submits a signed statement claiming non-filer status and you have reason to believe that person would have been required to file a U.S. tax return, you must require her to submit a “Verification of Non-filing Letter” from the IRS.
- Filers of foreign returns would submit a comparable document that the applicant/parent did not file a 2015 IRS income tax return. Applicant/parent can obtain this by submitting IRS Form 4506-T and checking box 7.
- Again, the verification of non-filing is not an indication that the person is not required to file a return, just that the student/applicant did not file one. See Chapter 5 if a person whose financial information was on the FAFSA did not file a tax return when it appears student/applicant was required to do so.
- Dependent students who are not required to file **do not need** to submit a non-filing status letter and the do not need to obtain a letter from their “employer”. The signed verification document is considered acceptable documentation in these cases.

## Section 4: Unusual Circumstances

### 4.1 **Lost W-2s:** if an individual who is required to submit an IRS Form W-2 cannot locate it, they can:

- Request a replacement W-2 from the employer who issued the original.
- A W-2 transcript from the IRS is also acceptable though it generally is not available until the year after the W-2 information is filed with the IRS (e.g. 2017 for 2015 information filed in 2016). If the student is unable to obtain one in a timely manner, you may permit them to provide a signed statement that includes the amount of income earned from work, the source of that income, and the reason why the W-2 is not available in a timely manner.

### 4.2 **Victims of IRS Tax-Related Identity Theft:** individuals who are victims of IRS tax-related identity theft must submit verification to the institution.

#### **Acceptable Documentation:**

- A Tax Return Database View (TRDBV) transcript obtained from the IRS; and
- A statement signed and dated by the tax filer indicating that they were victims of IRS tax-related identity theft and that the IRS has been made aware of the tax-related identity theft.
- Tax filers may obtain a TRDBV transcript and inform the IRS of the tax-related identity theft by calling the IRS's Identity Protection Specialized Unit (IPSU) at 1-800-908-4490. The IPSU will first authenticate the identity of the tax filer, who can then ask the IRS to mail them a TRDBV transcript. The TRDBV transcript will look different than a regular IRS tax return transcript, but it is official and can be used for verification.
- 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. Unless the institution has reason to suspect the authenticity of the TRDBV transcript or the equivalent document provided by the IRS, a signature or stamp or any other validation from the IRS is not needed.

### 4.3 **Filing extensions:** for students and parents granted a tax filing extension

#### **Acceptable Documentation:**

- Accept a copy of IRS Form 4868, Application for Automatic Extension of Time to File U.S. Individual Income Tax Return and;
- The student must provide a copy of all their W-2 forms and,
- If self-employed, a signed statement with the amount of their AGI and their U.S. income taxes paid.
- You may require those with a filing extension to use the DRT or submit to your school a tax transcript after the return has been filed. If you do that, you must verify the income information.

- 4.4 Immigrants Status:** Immigrants and tax filing immigrants are not exempt from tax filing. The IRS is more concerned whether a person is a resident or nonresident— rather than legal or illegal—alien. An alien is anyone who is not a U.S. citizen or national.
- 4.5 A resident alien:** Is one who either is a permanent resident or has resided in the U.S. for a specific minimum amount of time (has met the substantial presence test). Resident aliens' income is generally subject to tax in the same manner as U.S. citizens', and they file Forms 1040, 1040A, or 1040EZ.
- 4.6 Nonresident aliens:** Nonresident aliens who are required to file a return submit Form 1040NR or 1040NR-EZ; both forms are acceptable documentation for verification.
- 4.7 Individual taxpayer identification number (ITIN):** Migrants who do not have an SSN and are unable to get one can apply with the IRS for an individual taxpayer identification number (ITIN).
- The ITIN is only for tax purposes. It does not authorize a person to work, endorse his legal status, or entitle him to the earned income credit or Social Security benefits.
  - It is not to be used as an identifier in place of the SSN on the FAFSA. See the IRS's Publication 519, U.S. Tax Guide for Aliens at [www.irs.gov](http://www.irs.gov) for more information.
- 4.8 Custodial Changes:** When a student changes the custodial parent listed on the FAFSA and as a result another transaction is created.
- Procedure:** New for 2017-2018 No "paper copies of tax returns will be accepted". If there is a paper tax return in Image Now, request a 2015 Tax transcript from the parent whose name, appears on the FAFSA.

**4.9 Miscarriage:** An unborn child counts for making the student independent if the child will be born during the award year (July 1 to June 30) and the student intends to provide at least 50% support to the child during the award year. The student's dependency status should be updated regardless of when the pregnancy is discovered. The unborn child also counts toward household size if the student reports the child as part of household size during the initial application or if the student's application is selected for verification (i.e., the pregnancy is discovered before the verification date)

**Resolution:**

- Information on the FAFSA generally is not updated or changed if it was correct at the time the FAFSA was signed and submitted. If the student was pregnant at the time the FAFSA was filed and correctly included the unborn child in the household size, the household size would not be updated due to the miscarriage.
- If the student is selected for verification, either by the institution or by the Central Processing System (CPS), household size must be updated to be correct on the date of verification. If verification occurs after the miscarriage, the household size would be updated. If the student is not selected for verification by CPS, there is no need for your institution to select the student for verification because of the knowledge of the miscarriage. It is not considered conflicting information.

**4.10 Pregnancy discovered after submitting a FAFSA-but before being selected for verification:** The household size can be updated providing the student will provide more than 50% of the support.

**Acceptable Documentation:**

- Consists of a letter from the student's doctor verifying the pregnancy and indicating the due date. The due date must be before the end of the award year.
- The letter should also indicate the number of unborn children if there are more than one. An ultrasound is also sufficient documentation of the number of unborn children.
- The student must also submit a written statement concerning the support of herself and her child.

## Section 5: Resolving Conflicting Information

Conflicting information refers to the instances where the student and or parent(s) documentation does not match the information listed on the verification worksheet. Listed below are common sources of conflicting information and the type of acceptable documentation to request to resolves the conflict.

**5.1 Change in Assets (Questions 90, 91, 92):** Asset information is not updatable unless listed on the Tax transcript. It is to be reported “as of the time” the FAFSA application is completed.

**5.2 Rollovers:** Qualified rollovers from one retirement account to another are not taxable, and they should not be counted as untaxed income. Neither the DRT nor a tax transcript identifies rollovers.

*Resolution:*

- Request a copy of the 1040 showing the rollover amount that are excluded or should be excluded from the FAFSA.

**5.3 W2’s Received-but not requested:** UB does not request W2’s unless the student is required to submit it as proof of income. However, when a W2 is received with the other verification items, it must be reviewed, and conflicting information resolved.

*Resolution*

- Compare the wages against what was reported on the FAFSA and the verification worksheet.
- Update the ISIR record with the correct figures from the W2

**5.4 Discrepancy in wages earned:** change in how wages earned where reported on the worksheet or FAFSA:

For example: parent 1 income has decreased, and parent 2 income has increased and the AGI remained the same. As a result, the EFC decreased and made the student Pell eligible.

*Resolution:*

- Request the parents W-2 for comparison
- Makes changes where applicable on the ISIR files.

**5.5 Custodial Changes:** change in custodial parent listed on the FAFSA.

For example: Father is listed as Parent 1 on the loaded transaction and now the mother's information is submitted on the verification worksheet or there is a subsequent ISIR transaction that lists the mother as Parent 1 and there is no parent 2 listed on the loaded ISIR, worksheet or subsequent ISIR.

*Resolution:* "Custodial parent" has a very specific meaning. It is the parent with whom the student lives most of the year (more than 182.5 days). If the physical custody is really split absolutely evenly, it is the parent who contributes more financial support to the student, even if that amount "more" is \$1.

- Request the Income Tax transcript from the parent whose information is on their FAFSA
- Refer case to the Associate Director of Customer Service, the student may be eligible to complete a special circumstances appeal.

**5.6 FAFSA Data does not Match DRT Data:** parent tax return we have on file is not the same as the information via the IRS Data Retrieval.

*Resolution:*

- Request a copy of the Signed 1040 with schedules or the Tax Transcript from the IRS.

**5.7 Illegible Documents:** when documents are scanned and they are not legible, you can not verify the information accurately.

*Resolution:*

- Request the student submit a clearer copy of the document through the upload center.

**5.8 Education Tax Credits**

*Acceptable Documentation:*

- Tax Transcript: Line reference Education credit per computer Line
- Signed 1040 with Schedule 3

**5.9 Income Discrepancy:** if the tax information presented does not match what is on the FAFSA and or Dependent student verification form you will need to request additional documents.

*Resolution:*

- Request a copy of the applicant and or parent W-2s

**5.10. Erie I Boces:** Erie I Boces can be included as a College/University on the Dependent Student Verification form as number in college as Erie 1 Boces offers Title IV eligible certificate programs.

**5.11. Asset Verification:** To verify and complete the verification process when an applicant has changed EFC formula types where asset information is then required OR to resolve conflicting information during the subsequent ISIR process OR as applicants self-identify their mistake without making a FAFSA correction. Asset Verification will be requested on a case-by-case basis. Assets to be included on FAFSA or through verification (as of the day FAFSA is signed):

- Current amount of cash, savings, and checking accounts.
- Net worth of investments (i.e. current market value minus the debt on the investment). If the net worth is negative, report zero. Examples include college savings plans, Coverdell education savings accounts, real estate, installment and land sale contracts (including mortgages held), trust funds, mutual funds, money market funds, UGMA and UTMA accounts, certificates of deposit, stocks, stock options, bonds, commodities, and precious metals.
- Net worth of businesses and investment farms (i.e. worth of land, buildings, machinery, equipment, livestock, and inventories minus the debt owed on it for which the business or farm was used as collateral).

**5.12 Roll over Codes: Verifying an IRA Rollover Using the 1099-R Form**

IRA rollovers are generally addressed through the exercise of a financial aid administrator's professional judgment authority. In reviewing the instructions for Form 1099 - R, Codes G and H refer to different types of IRA accounts. Depending on the type of account an applicant holds, either or both codes could be used in a PJ situation or for institutional verification.

## Appendix A: Filing Requirements

**Table 1: Dependent-Earned Income Only thresholds as of 2021**

Status	Age	Income Threshold
<b>Single</b>	Under 65 and not blind	\$12,550
	Either 65 or older and blind	\$14,250
	65 or older and blind	\$15,950
<b>Married</b>	Under 65 and not blind	\$12,550
	Either 65 or older and blind	\$13,900
	65 or older and blind	\$15,250

**Table 2: Independent-Earned Income thresholds as of 2021**

Status	Age	Income Threshold
<b>Single</b>	Under 65	\$12,550
	65 or older	\$14,250
<b>Married filing Jointly</b>	Under 65	\$25,100
	65 or older (one spouse)	\$26,450
	65 or older (both spouses)	\$27,800
<b>Married filing separately</b>	Any age	\$5
<b>Head of Household</b>	Under 65	\$18,800
	65 or older	\$20,500
<b>Qualifying Widow with dependent child</b>	Under 65	\$25,100
	65 or older	\$26,450

Refer to [IRS Publication 501](#) for Dependents, Standard Deduction, and Filing information for 2021 tax returns.

## Appendix B: 2021 Tax Return Line Items 23-24 Verification

### 2021 Tax Return Line Items for 2023-24 Verification

	1040 and Schedules	2023-24 FAFSA Question
AGI	1040 Line 11	33 (S) and 81 (P)
Income tax paid*	1040 Line 22 <i>minus</i> Schedule 2, Line 2	34 (S) and 82 (P)
Education credits	Schedule 3, Line 3	40a (S) and 88a (P)
IRA deductions and payments	Schedule 1, Line 16 + Line 20	41b (S) and 89b (P)
Tax-exempt interest income	1040 Line 2a	41d (S) and 89d (P)
Untaxed portions of IRA, pension, and annuity distributions (withdrawals)*	1040 Lines (4a <i>minus</i> 4b; if negative, use zero) + (5a <i>minus</i> 5b; if negative, use zero) (exclude rollovers)	41e (S) and 89e (P)

### Appendix B:2021 Tax Transcript Line Items 23-24 Verification

#### 2021 Tax Return Transcript Line Items for 2023-24 Verification

	Tax Transcript	2023-24 FAFSA Question
AGI	"ADJUSTED GROSS INCOME PER COMPUTER"	33 (S) and 81 (P)
Income tax paid*	"INCOME TAX AFTER CREDITS PER COMPUTER" <i>minus</i> "EXCESS ADVANCE PREMIUM TAX CREDIT REPAYMENT AMOUNT"	34 (S) and 82 (P)
Education credits	"EDUCATION CREDIT PER COMPUTER"	40a (S) and 88a (P)
IRA deductions and payments	"KEOGH/SEP CONTRIBUTION DEDUCTION" <i>plus</i> "IRA DEDUCTION PER COMPUTER"	41b (S) and 89b (P)
Tax-exempt interest income	"TAX-EXEMPT INTEREST"	41d (S) and 89d (P)
Untaxed portions of IRA, pension, and annuity distributions (withdrawals)*	("TOTAL IRA DISTRIBUTIONS" <i>minus</i> "TAXABLE IRA DISTRIBUTIONS"; if negative, use zero) <i>plus</i> ("TOTAL PENSIONS AND ANNUITIES" <i>minus</i> "TAXABLE PENSION/ANNUITY AMOUNT"; if negative, use zero) (exclude rollovers)	41e (S) and 89e (P)

## Appendix C: IRS Display & Data FieldFlags

IRS Data Field & Display Flags. This flag is located on the ISIR file. Unfortunately, if you are trying to confirm the use of the DRT on a suspended ISIR the ISIR must be loaded.

<b>Student/Parent IRS Data Field Flags</b>	
<b>ISIR Code</b>	<b>Description</b>
00	Student was ineligible to use the IRS Data Retrieval Tool and was therefore not presented with the option to use it in <i>FAFSA on the Web</i>
01	Student was presented with the option to use the IRS Data Retrieval Tool in <i>FAFSA on the Web</i> and elected to use it, but did not transfer IRS data into the FAFSA
02	IRS data for the student was transferred from the IRS and was not changed by the user prior to submission of an application or correction
03	IRS data for the student was transferred from the IRS and changed by the user prior to submission of an application or correction
04	IRS data for the student was transferred from the IRS and then changed by the user on a subsequent transaction
05	Student was presented with the option to use the IRS Data Retrieval Tool in <i>FAFSA on the Web</i> , but did not elect to use it
06	IRS data for the student was transferred from the IRS, but a subsequent change made the student ineligible to use the IRS Data Retrieval Tool
07	IRS data for the student was transferred from the IRS, but the IRS indicated that the student filed an amended tax return
BLANK	IRS DRT not available (for example, paper, EDE, or FAA Access)
<b>Student/Parent IRS Display flags</b>	
<b>ISIR Code</b>	<b>Description</b>
A	Student skipped the income and asset questions - IRS DRT was not displayed
B	IRS DRT was displayed to Student
C	Tax return status not equal to "Already Completed" - IRS DRT was not displayed
D	Marital status date greater than or equal to January 2016 - IRS DRT was not displayed
E	First three digits of SSN are 666 - IRS DRT was not displayed
H	Student amended his/her tax return - IRS DRT was not displayed
J	Student filed a Puerto Rican or Foreign tax return - IRS DRT was not displayed
K	Student is married and tax return filing status is Married Filed Separate Return - IRS DRT was not displayed
L	Student is married and tax return filing status is Head of Household - IRS DRT was not displayed
M	Conflict between the student's marital status and tax return filing status - IRS DRT was not displayed
BLANK	IRS DRT not available (for example, paper, EDE, or FAA Access)

## Appendix D: Tax Transcript Sample

Refer to the Tax Transcript Decoder [Page 19](#)

## Appendix E: Tax Return Sample

Refer to the Tax Transcript Decoder [Page 4](#)

Appendix E: W2

What to do with a W2

<b>Not Requested</b>	Verify. Refer to page
<b>Amended Tax Return</b>	Refer to page 15 for more detailed information
<b>Foreign Income</b>	Refer to page 16 for more detailed information
<b>Combat Pay</b>	The amount reported Box 1 is the amount to be reported on line 7 of the IRS tax return and is included in the AGI.
<b>Income Discrepancy</b>	<b>Box 1-Refer to page 30 for more detailed information</b>
<b>Income Discrepancy in Parent 1 and Parent 2</b>	<b>Box 1- Refer to page 31 for more detailed information</b>
<b>Earned Income for Non-Tax Filer</b>	<b>Box 1- Refer to page 32 for more detailed information</b>

## Appendix F: Checklist Summary

Table 8: Active Verification Checklist Items

Checklist Group	Individual Checklist Items	Description	How it is Used	Assigned	Assign Criteria
(O/F)DEPV1	<b>(O/F)DTIVF</b>	Dependent Tax & Income Verification	Selection	Automatic	Dependent Student's ISIR has V1 or V5 assigned by CPS
(O/F)INDV1	<b>(O/F)STRAN</b>	Student Tax Transcripts	Selection	Automatic	Independent student's ISIR has V1 or V5 assigned by CPS
(O/F)VERV4	<b>(O/F)PTRAN</b>	Parent Tax Transcripts	Selection	Automatic	ISIR has V5 or V5 assigned by CPS or Selected by UB via SUSP Conflicting Info process
FCC399 (NEW)	<b>(O/F)DTIVF</b>	Dependent Tax & Income Verification	Selection	Automatic	Assigned when the SAR Comment Code 399 is present on any ISIR Record.
	<b>(O/F)HSCMP</b>	High School Completion	Information Request	Manual	Assign to students in V4/V5 category who do not have acceptable documentation on file at UB.
	<b>F4506T</b>	IRS Verification of Non-Filing Letter	Information Request	Manual	Assign if needed to resolve income and tax discrepancies.
	<b>(O/F)SW2</b>	Student/Spouse W2 Statement	Information Request	Manual	Assign if needed to resolve income and tax discrepancies. .
	<b>(O/F)PW2</b>	Parent W2 Statement	Information Request	Manual	Assign if needed to resolve income and tax discrepancies.
	<b>FRVFRV</b>	Verif. Corrections Made	Reporting	Manual	<b>Required</b> -Assign after review is completed and corrections are made.
	<b>FRVFVC</b>	No Corrections Needed	Reporting	Manual	<b>Required</b> - Assign after review is complete and <u>no</u> corrections are required.
	<b>FRVFBH</b>	Verification on Hold	Reporting	Manual	<b>Required</b> -Assign after review is complete and additional information is requested.
	<b>FRVRND</b>	Verification No Decision	Reporting	Manual	<b>Required</b> -Assign when the student is non responsive or the student self identifies and declines all Title IV aid.

## Appendix G: Sources

Dear Colleague Letter 13-25 – household size, identity theft, household size

Dear Colleague Letter 14-11 – household size

Dear Colleague Letter 16-07 – household size, verification, tax filer, non-tax filer, amended tax filer, ID theft tax filer, foreign tax filer, identity verification and statement of ed. purpose

Dear Colleague Letter 15-11 – verification, tax filer, non-tax filer, amended tax filer, foreign tax filer, identity verification and statement of ed. purpose

ED's Program Integrity, DOC-Q28 & A28 – foreign tax filer

Federal Register (Vol. 81, No. 63, Pg. 188343-18847 on April 1, 2016) – Information to be verified for the 2017-2018 FAFSA – verification

16-17 FSA Handbook, Application Verification Guide, Chapter 2: Filing Out the FAFSA – tax rollover, 529 Plans, Assets, HS completion status, household size (Pages AVG-25, AVG-29, AVG-32 & 33.)

16-17 FSA Handbook, Application and Verification Guide, Chapter 3: Expected Family Contribution (EFC), Page AVG-37 side note – foreign tax filer, simplified formula, assets,

16-17 FSA Handbook, Volume 3: Calculating Awards & Packaging, Chapter 7: Packaging Aid, Page 3-143 -529 Plans

16-17 FSA Handbook, Application and Verification Guide, Chapter 4: Verification, Updates, and Corrections – verification, tax filer, non-tax filer, amended tax filer, ID theft tax filer, foreign tax filer, tax rollover, marital status verification, identity verification and statement of ed. Purpose; household size

2015 IRS Publication 17 – tax filer, non-tax filer, amended tax filer, ID theft tax filer, foreign tax filer,

GEN-06-05 -529 Plans

HEA Sec. 480 (f) & (j) -529 Plans - assets

34 CFR 668.55 – Marital status verification

34 CFR 668.56(a)(3), (c) - financial information verification, household size

34 CFR 668.57(b), (c) – financial information verification, household size

34 CFR 668 – verification, tax filer, non-tax filer, amended tax filer, ID theft tax filer, foreign tax filer,

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Federal Register (Volume 81, Number 63, Page 18846)- Identity Verification & Statement of Education Purpose

16-17 EFC Formula – assets

NASFAA 2016-2017 FAFSA Verification- tax filer

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## Addendums

This section reflects process changes that affect compliance or are the result of a regulatory change. Any information contained in this section will be updated in the 18/19 UB Verification Business Guide.

**a. Addendum 1: Verification and Non-Need based aid**

*Effective Date: February 12, 2017*

**b. Addendum 2: Resolving conflicting information: AGI vs Wages**

*Effective Date: February 15, 2017*

**c. Addendum 3: Simplified Needs Test and Non Filing Letter**

*Added date: March 28, 2017*

## Addendum 1: Verification and Non-Need based aid

Added Date: February 12, 2017

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**Applies to:** Students who are selected for Federal Verification, and do not want to submit documentation and are only eligible for non-need based federal aid (i.e. unsubsidized and PLUS loans).

**Regulatory Guidance:** According to 34 CFR 668.54(b)(1)(iii), verification is not required if the student is **only** eligible for unsubsidized Title IV aid, including Direct Unsubsidized Loan, graduate or parent PLUS, or Teacher Education Assistance for College and Higher Education (TEACH) Grants.

If the student has subsidized Title IV aid eligibility (financial need) of any kind, verification must be completed for the student. The student cannot avoid completing verification by accepting only the unsubsidized aid. The following is from the U.S. Department of Education's (ED's) Program Integrity Q&A website on verification:

### **Do We Have to Verify a Student Who Only Wants to Borrow a Parent PLUS Loan?**

Not unless the student is selected for verification of high school completion and identity/Statement of Educational Purpose. Generally, under 34 CFR 668.54(b)(1)(iii), verification is not required if the student is only eligible for unsubsidized Title IV aid, including Direct Unsubsidized Loan, graduate or parent PLUS, or Teacher Education Assistance for College and Higher Education (TEACH) Grants. However, according to the U.S. Department of Education (ED), high school completion and identity/Statement of Educational Purpose are student eligibility issues which always must be verified. Refer to AskRegs Knowledgebase Q&A, Can Verification of High School Completion and Identity/Statement of Educational Purpose Be Waived for a Student Who Is Only Receiving Unsubsidized Aid?

If the student has subsidized Title IV aid eligibility (financial need) of any kind, verification must be completed for the student. The student cannot avoid completing verification by accepting only the unsubsidized aid. The following are from the U.S. Department of Education's (ED's) Program Integrity Q&A website on verification:

"VER-Q7. Must an institution complete verification for a selected applicant who is eligible for both subsidized and unsubsidized Title IV student aid when the applicant chooses not to accept the subsidized aid?

VER-A7. An applicant who is eligible for subsidized and unsubsidized Title IV student aid may not avoid completing verification by accepting only the unsubsidized Title IV student aid. In such a case, the institution must complete verification for the applicant to be eligible for any Title IV student aid.

However, except for applicants who are in Verification Tracking Group V4 or V5, an institution may, on a case by case documented basis, disburse unsubsidized Title IV aid to only those applicants who are in Verification Tracking Group V1 or V6 if the institution has determined that there will be a delay in the completion of verification. Also refer to Electronic Announcement dated October 31, 2016. [Sections

668.51(a), 668.54(b)(1)(ii) and (iii)]

\*\*\*

VER-Q11. May an institution disburse unsubsidized Title IV student aid, i.e., Direct Unsubsidized Loans and PLUS Loans, prior to completing verification for a selected applicant who is eligible for both subsidized and unsubsidized Title IV student aid?

VER-A11. Except for applicants who are in Verification Tracking Group V4 or V5, an institution may, on a case by case documented basis, disburse unsubsidized Title IV aid to only those applicants who are in Verification Tracking Group V1 or V6 if the institution has determined that there will be a delay in the completion of verification. When determining the amount of the unsubsidized aid to be disbursed, the institution must ensure that the subsidized aid the applicant is estimated to receive is considered. After verification is completed, the institution must ensure that both the subsidized assistance and the unsubsidized assistance are adjusted, if necessary. Also refer to Electronic Announcement dated October 31, 2016. [Sections 668.51(a)]"

While these statements may appear contradictory, ED is attempting to reinforce the notion that a student cannot intentionally avoid verification requirements when subsidized aid is involved. In the end, unsubsidized aid is not subject to verification, so it can be paid if the student or parent does not complete verification under V1, V3, or V6.

**Policy Statement:** student will not be required to submit verification documents when they are **only eligible for non-need based** aid. I.e. unsubsidized and PLUS loans.

**Procedure:**

1. For each Federal Verification checklist item listed, set to cancel.
2. Add the following checklist item and set to completed:
3. Add comment: Verified EFC, student is not eligible for need based aid.

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## Addendum 2: Resolving conflicting information: AGI vs Wages

Added Date: February 15, 2017

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**Applies to:** Students/Parents who are selected for Federal Verification or 399-Conflicting Information or resolving conflicting information in general.

**Regulatory Guidance: Income earned from work is not a required verification item for applicants who are tax filers.** For applicants who are tax filers, the Federal Methodology uses the adjusted gross income (AGI), not income earned from work, to calculate the total income for purposes of calculating the expected family contribution (EFC). The FAFSA requires tax filers to report their income earned from work for the purpose of calculating the FICA/Social Security tax allowance and other allowances against income. If an applicant is not required to file a tax return, the formula uses income earned from work for calculating total income and allowances against income. The Central Processing System (CPS) will reject applicants who report taxes paid equal to AGI or if taxes paid seem unusually high (Reject Codes C, G, 3, and 12).

That being said, the institution always has the option to select a student for verification. A school should also verify any information it believes an applicant reported incorrectly. Please see [34 CFR 668.54\(a\)\(2\)](#).

The school is also required to resolve conflicting information whenever the school receives documentation that shows there is a difference in the income earned from work fields between the FAFSA and the IRS Tax Return Transcript. Even though income earned from work is not a required verification item, the school should request W-2 forms to be able to resolve the conflicting information and to determine if an update to each parent's income earned from work is necessary.

NASFAA's Compiled Title IV Regulations may be found under Tools & Resources on the [NASFAA website](#)

**Procedure:**

1. Request Tax transcript or signed Tax Return
2. Request W2's

## Addendum 3: Simplified Needs Test and Non-Filing Letter

Added date: March 28, 2017

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**Application:** dependent students whose parents satisfy the income criteria for the simplified needs test-Auto zero EFC are not required to supply a Non filing letter.

### 1. Simplified Needs Test and Auto-Zero EFC

There are two simplified versions of the Free Application for Federal Student Aid (FAFSA):

- **Simplified Needs Test.** This version disregards all asset information, including student assets and parent assets (if applicable).
- **Auto-Zero EFC.** This version sets the applicant's expected family contribution (EFC) automatically to zero.

### 2. Eligibility for Simplified Versions of the FAFSA

A dependent student qualifies for these simplified versions of the FAFSA if:

- a. The student's parents satisfy income criteria. The parents' adjusted gross income (AGI) must be less than \$50,000 to qualify for the simplified needs test and less than or equal to \$27,000 to qualify for auto-zero EFC. If the parents are not tax filers, income earned from work is substituted for AGI. And:
  - b. The student's parents filed or were eligible to file an IRS Form 1040A or 1040EZ, filed an IRS Form 1040 but were not required to do so, or were not required to file an income tax return, or
  - c. The student's parent is a dislocated worker, or Means-Tested: A means-tested benefit is provided to an individual based on the individual's income and assets.
    - Anyone counted in household size on the FAFSA received certain means-tested federal benefits during either of the two previous calendar years.
    - These benefits include Supplemental Security Income (SSI), Supplemental Nutrition Assistance Program (SNAP), Free and Reduced Price School Lunch, Temporary Assistance for Needy Families (TANF) and the Special Supplemental Nutrition Program for Women, Infants and Children (WIC).

Note: Similar criteria apply to independent students and the student's spouse (if any) for determining eligibility for the simplified needs test and auto-zero EFC, with one exception: Independent students without dependents other than a spouse are not eligible for auto-zero EFC.

### 3. Dependent Student Eligibility Depends on Just the Parent's Income:

**A dependent student's eligibility for the simplified needs test and auto-zero EFC depends only on the parent's income, not the student's income.** It doesn't matter how much money the student earns or the net value of assets the student owns; **if the parent's income falls below the income thresholds and the parent satisfies the type of federal income tax return test (or the parent is a dislocated worker or a household member received certain means-tested federal benefits),** the student will qualify for one of the simplified versions of the FAFSA. This is in contrast with independent students, where the student's income does matter.

### 4. Non-filing Letter for a Dependent Student Who Qualifies for an Automatic-Zero EFC

- a. Schools are not required to collect a non-filing letter for students whose parent's qualify for an **automatic Zero EFC**. You are not required to verify a dependent student's income. Therefore, you are not required to collect a Verification of Non-filing Letter if the student's parent qualifies the student for the Auto-Zero EFC calculation. You would, however, need each parent's Verification of Non-filing Letter if either parent is a non-filer.
- b. For Auto Zero EFC-eligible applicants placed in Verification Tracking Groups V1, V5 or V6 (for the 2014-2015 award year through the 2016–2017 award year), the information that must be verified varies slightly between dependent and independent applicants.
- c. For dependent applicants, only the following FAFSA/ISIR information must be verified:
  - The parents' AGI if they were tax filers;
  - The parents' income earned from work if they were nontax filers; and
  - The receipt of SNAP benefits (food stamps) by any household member if the receipt of these benefits qualified the applicant for Auto Zero EFC.
- d. For independent applicants, only the following FAFSA/ISIR information must be verified:
  - The applicant's and spouse's AGI if they were tax filers;
  - The applicant's and spouse's income earned from work, if they were nontax filers;
  - The number of household members to determine if the independent applicant has one or more dependents other than a spouse; and
  - The receipt of SNAP benefits (food stamps) by any household member if the receipt of these benefits qualified the applicant for Auto Zero EFC.

**Additional Guidance:**

In addition to the FAFSA/ISIR information listed above, dependent and independent applicants placed in Verification Tracking Group V5 must also verify their high school completion status and identity/statement of educational purpose. The guidance above continues to apply for the 2017–2018 and subsequent award years, except applicants are no longer assigned to Verification Tracking Group V6 and SNAP is no longer a verifiable item." [[34 CFR 668.56](#)]

SNT-eligible applicants who are assigned to Verification Tracking Groups V1, V5 or V6 are required to verify all relevant FAFSA/ISIR information listed for the Verification Tracking Group they are placed in.

**5. State Restrictions on Simplified Versions of the FAFSA**

Even if the student qualifies for the simplified needs test or auto-zero EFC, the student might not be able to skip all of the asset questions, depending on the student's state of legal residence. The FAFSA is used to apply not just for federal student aid, but also for financial aid from the student's state. Fourteen states and the District of Columbia do not allow students who qualify for the simplified needs test or auto-zero EFC to skip the questions. These states are Colorado, District of Columbia, Georgia, Hawaii, Illinois, Minnesota, New Jersey, New Mexico, Ohio, Oklahoma, South Carolina, Vermont, Washington, Wisconsin and Wyoming. The answers to these questions, however, will not affect the student's eligibility for federal student aid. A student who qualifies for auto-zero EFC will still have a zero EFC for federal student aid purposes even if the student's state does not allow the student to skip some of the FAFSA questions.

### Auto Zero EFC Indicator on ISIR Record

Student Information | Parent Information | Assumptions\School Codes | **EFC\DB Matches\Corr**

Barton-Brown, Diamond ID: 50175443  
Aid Year: 2018 Financial Aid Year 2017-2018 Institution: UBFLO

ISIR Data Find First 1 of 3 Last

\*Effective Date: 03/26/2017 Transaction Nbr: 3 Correction Status: Status Date: +

EFC Status: Official Primary EFC: 0 Prorated EFC: 0 FM IM Need Summary INAS

**EFC Information**

Primary EFC: 0 Formula Type: 4 Prorated EFC: 0 Monthly EFC  
Secondary EFC: 0 Secondary EFC Type: EFC Change Flag:  
Signature Reject EFC: **Auto Zero EFC: Y** Dependency Status: D DEP

TI: 0 STI: 36,868 FTI: 36,868 DNW: -9,999,999

Figure 1: Student whose parent qualified for the Auto Zero EFC

Student Information | Parent Information | Assumptions\School Codes | **EFC\DB Matches\Corr**

Hsu, Cherie ID: 50086004  
Aid Year: 2017 Financial Aid Year 2016-2017 Institution: UBFLO

ISIR Data Find First 1 of 1 Last

\*Effective Date: 02/28/2016 Transaction Nbr: 1 Correction Status: Status Date: +

EFC Status: Official Primary EFC: 306 Prorated EFC: 306 FM IM Need Summary INAS

**EFC Information**

Primary EFC: 306 Formula Type: 5 Prorated EFC: 306 Monthly EFC  
Secondary EFC: 0 Secondary EFC Type: EFC Change Flag:  
Signature Reject EFC: **Auto Zero EFC:** Dependency Status: I IND

Figure 2: Student whose parent did not qualify for the Auto Zero EFC

## **What Happens If an Individual Cannot Obtain an IRS Verification of Nonfiling Letter to Complete Verification?**

[Knowledgebase](#) > [Category \(browse\)](#) > [Verification](#)

The answer depends on whether the individual is a U.S. resident, citizen, or undocumented individual who is subject to the authority of Internal Revenue Service (IRS) rules, or the individual is a resident or citizen of a foreign country who is subject to a foreign tax authority.

For individuals who are subject to IRS authority (including undocumented individuals living in the U.S.), refer to the U.S. Department of Education (ED) [Program Integrity Q&A website](#)--Verification DOC-Q29/A29:

"DOC-Q29. Since a Social Security Number, an Individual Taxpayer Identification Number, or an Employer Identification Number is required to obtain a verification of nonfiling from the IRS, how can a nontax filer without one of these identifiers meet the verification requirement to obtain confirmation of nonfiling from the IRS?

DOC-A29. We are aware of circumstances where one or both of the parents of a dependent student or the spouse of an independent student does not have a Social Security Number, an Individual Taxpayer Identification Number, or an Employer Identification Number and therefore is unable to obtain a verification of nonfiling from the IRS. Individuals in these cases and whose income is below the IRS filing threshold must submit to the institution:

1. A signed and dated statement--

Certifying that the individual(s) does not have a Social Security Number, an Individual Taxpayer Identification Number, or an Employer Identification Number; and

Listing the sources and amounts of earnings, other income, and resources that supported the individual(s) for the appropriate tax year; and

2. If applicable, a copy of IRS Form W-2 for each source of employment income received for the appropriate tax year or an equivalent document.

Note: Individuals who submit W-2s that total a gross income that equals or exceeds the IRS tax filing threshold must request a Social Security Number, an Individual Taxpayer Identification Number, or an Employer Identification Number and file an income tax return before the student is eligible to receive Title IV aid."

**For individuals who are subject to a foreign tax authority (e.g. foreign citizens),** refer to ED's [Program Integrity Q&A website](#)--Verification DOC-Q30/A30:

"DOC-Q30. The Department has provided guidance on how to obtain verification of non-filing from the IRS. What do individuals who are subject to foreign tax authorities do?

DOC-A30. If another tax authority can provide documentation similar to the IRS that indicates the individual did not file taxes for the appropriate tax year, we expect the individual to request such documentation and provide it to the institution. If such documentation does not exist, or if the individual is unable to obtain the documentation, the institution may accept a signed and dated statement from the individual stating either that the tax authority does not provide such documentation or that the individual was unable to obtain the documentation after contacting the tax authority.

Since nontax filers selected for verification are already required to provide a signed and dated statement related to their claim of being a nonfiler, those nontax filers may also include in that statement the attestation specified above."

Remember that a foreign resident or citizen (parent or spouse) who is selected for verification, but did not file a tax return, must also provide a copy of his or her Wage and Tax Statement (or equivalent document) from each employer, as well as a signed statement or verification worksheet indicating the individual was not required to file a tax return, and identifying the sources and amounts of all income and taxes paid for the tax year.

**The above guidance related to verification of nonfiling letters applies beginning with the 2017-18 award year.** All other verification documentation requirements also apply. See also AskRegs Knowledgebase Q&A, [For 2017-18, Will the IRS Verification of Nonfiling Letter Be Required for All Nontax Filers Selected for Verification?](#)

## Is IRS Form 13873 RAIVS Acceptable As an IRS Verification of Nonfiling Letter?

[Knowledgebase](#) > [Category \(browse\)](#) > [Verification](#)

Yes, under certain conditions. The following is from the [February 23, 2017 Electronic Announcement, Verification-IRS Documentation Requests, Uses, and Messaging](#):

"In some instances, instead of providing the requested document, 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.

IRS Form 13873 may also be provided by the IRS for a number of other reasons and may contain messaging that is nonspecific to the IRS document request. We have been told by the IRS that Form 13873 may also be used to communicate to the individual that the IRS is unable to fulfill the document request because the request itself was incomplete or included inaccurate information. In these cases, the individual should follow the instructions provided by the IRS to obtain further documentation that includes a clear and precise message.

Institutions should thoroughly review any IRS Form 13873 to ensure that the messaging and information provides a clear response to the documentation request and satisfies documentation requirements for verification."

As noted, this guidance includes, for example:

IRS Form 13873-V, RAIVS Requests for Verification of Non-filing Taxpayer Accounts; and

IRS Form 13873-T, RAIVS Requests for Tax Information Documents or Transcripts of Tax Accounts.

An IRS Verification of Nonfiling Letter can be obtained online using the [IRS Get Transcript service](#). If the individual cannot obtain one online for whatever reason, it must be obtained by completing and checking box 7 on the IRS Form 4506-T, Request for Transcript of Tax Return, and mailing it to the IRS. If appropriate, a similar confirmation from another taxing authority (e.g., a U.S. territory or a foreign government) is also acceptable.

Note: The U.S. Department of Education (ED) changed its guidance on the use of Form 13873 in the February 23, 2017 Electronic Announcement. Previously, ED had said the 13873 was not acceptable.

## COVID-19 Updates as of 4/27/20

The Department of Education has waived certain requirements due to COVID-19 to better accommodate students and applicants, as mentioned in the Dear Colleague letter GEN-17-08.

Dependent students that cannot obtain a parent signature can have this requirement waived. The student must provide a signed statement why neither of their parents were available to provide their signature.

For students who are in V4 or V5 verification groups, in person submissions and notary requirements are suspended. The university can allow the student to submit the documents electronically. For example a photo, PDF, or other similar electronic document.

For students who have expired forms of identification, the university is allowed to accept expired forms of ID as long as the expiration date is after March 1st, 2020.

Independent students or parents of dependent students are currently unable to obtain an IRS non-filing letter as the IRS is not mailing out documents. Students and parents may be able to fill out the institutional non-filer form if they have attempted to contact the IRS to receive their non-filer letter with no response.

[The COVID-19 Emergency Declaration ended on May 11, 2022](#)