

# 2017-18 Verification and Conflicting Information

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U.S. Department of Education

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## Agenda

- Background
- 2017-18 Verification Changes Overview
- 2017-18 Verification Tracking Groups & Documentation
- Verification Reminders
- Conflicting 2015 Tax/Income Information
- Resources



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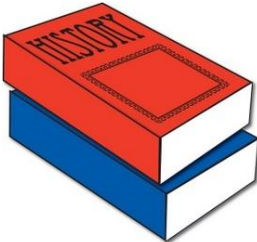
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## Background



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### Verification – History

- Last comprehensive look in 1985
- Program Integrity regulations (October 29, 2010)
  - Move toward more customized verification
  - Effective for the 2012-13 award year
- For the 2012-13 award year
  - Retained the long-standing five items and added SNAP and child support paid, if reported on the ISIR

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### Verification – History

- For the 2013-14 award year
  - Introduced the concept of verification groups
  - Added high school completion and identity/statement of educational purpose as verification items
- For the 2014-15 award year
  - Eliminated SNAP (V2) as a separate verification group
  - Added household resources group (V6)
  - Added other untaxed income and benefits as a verification item

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### Verification – History

- For the 2015-16 award year
  - No changes to verification items and tracking groups
- For the 2016-17 award year
  - Eliminated Child Support Paid (V3) as a separate verification group
  - In limited circumstances, an applicant's Verification Tracking Group could change

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## 2017-18 Verification Changes Overview

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## Tracking Groups and Data Elements

- Verification Tracking Group V6 was eliminated for 2017-18
  - Schools still have authority to select additional students and items of their choosing for verification
- SNAP and Child Support Paid removed as individual verification items under V1, V4 or V5

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## Verification of Non-Filing

- Individual selected for V1/V5 verification required to file a 2015 IRS income tax return and granted a filing extension by the IRS, or **any** nontax filer selected for V1/V5 verification (parent, student, etc.) regardless if they earned any income from work, **MUST** provide:
  - Confirmation of non-filing from the IRS or other relevant taxing authority dated on or after October 1, 2016
  - If individual never filed a tax return before, can get confirmation of nonfiling from the IRS through form 4506-T (box 7)

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## Use of Documents from 2016-17

- School can use verification documents from 2016-17 to meet 2017-18 requirements for the following items:
  - Adjusted Gross Income (AGI); U.S. Income Tax Paid ; Untaxed Portions of IRA Distributions; Untaxed Portions of Pensions; IRA Deductions and Payments; Tax Exempt Interest Income; Education Credits; Income Earned from Work
- Documentation of high school completion obtained prior to the 2017–18 award year is acceptable
- Must obtain new documentation for:
  - Number of Household Members
  - Number in College
  - Identity/Statement of Educational Purpose

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## 2017-18 Verification Tracking Groups: Data Elements & Documentation



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## Which Students to Verify?

- Schools only need verify students who are selected for verification
- Applicants can be selected in two ways:

Department Selects	School Selects
School must verify <b>all</b> students the Department selects	Schools may select students not selected by the Dept.
Student will be assigned to a verification group, which determines the items to verify	May use the same data elements and documents as the Dept., or something else
ISIR will include verification flag and an asterisk (*) next to EFC	Written policy must address how school selects students and what they will verify

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## Verification Selection Groups

- V1 – Standard Verification Group
- V2 – Reserved
- V3 – Reserved
- V4 – Custom Verification Group
- V5 – Aggregate Verification Group
- V6 – Reserved



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## V1– Tax Filers

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

### Documentation:

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

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## IRS Data Retrieval Tool

IRS Request Flag	Description
Blank	IRS Data Retrieval Tool not available
00	Student/Parent was ineligible to use the IRS Data Retrieval Tool
01	Student/Parent was presented with the IRS Data Retrieval Tool and elected to use it, but did not transfer IRS data into the FAFSA
★ 02	IRS data was transferred and was not changed
03	IRS data was transferred and changed
04	IRS data was transferred and then changed on a subsequent transaction
05	Student/Parent was presented with the IRS Data Retrieval Tool and elected not to use it
06	IRS data was transferred, but a subsequent change made the student/parent ineligible to use the IRS Data Retrieval Tool

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## V1 – Tax Non-Filers

- Income earned from work

### Documentation

1. Signed statement certifying the following:
  - Individual has not filed and not required to file 2015 tax return;
  - Sources of income earned from work and amounts of income from each source for tax year 2015; and
2. Copy of IRS Form W-2 for each source of employment income received for tax year 2015, and
3. Confirmation of non-filing from the IRS

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## V1 - Tax Non-Filers

- Schools are required to know whether an applicant was required to file a tax return
- IRS Publication 17 gives guidance

IF your filing status is...	AND at the end of 2015 you were...*	THEN file a return if your gross income was at least...*
single	under 65	\$10,300
	65 or older	\$11,850
married filing jointly***	under 65 (both spouses)	\$20,600
	65 or older (one spouse)	\$21,850
	65 or older (both spouses)	\$23,100
married filing separately	any age	\$ 4,000
head of household	under 65	\$13,250
	65 or older	\$14,800
qualifying widow(er) with dependent child	under 65	\$16,600
	65 or older	\$17,850

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## V1 – Tax Non-Filers

- IRS documents that clearly indicate that the IRS does not have a tax return record on file for the tax year are acceptable for verification of nonfiling
  - Can be obtained from IRS.gov online
  - Form 4506-T and checking box 7 if never filed taxes before
  - Must be dated October 1 or later
  - This is also required documentation for those granted filing extension by the IRS

*Electronic Announcement - February 23, 2017*

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## Possible IRS Non-Filing Documents

- Verification of non-filing letter
- Transcript with indication that “no record is found” or “no transcript on file”
  - Unclear messages such as “could not be processed” or “request could not be honored” are not sufficient
- IRS Form 13873
  - There are multiple versions (13873-T, 13873-V, etc.)
  - Any version is acceptable, as long as it clearly states that the IRS has no record of a tax return
- Browser response that indicates there is no 2015 tax return on file

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## Tax Filers - Extensions

- Person required to file, but who obtained an **extension**, must submit:

### Tax Filers Extension Documentation:

1. IRS Form 4868 or copy of the IRS's approval to extend beyond October 15 deadline;
  2. W-2 for each source of employment income; and
  3. If self employed, a signed statement certifying the amount of AGI and U.S. income tax paid; and
  4. Non-filing documentation from the IRS
- When above documentation reviewed, verification is considered complete (disbursements are valid)*

- School may request transcript/IRS DRT when taxes are filed; must then re-verify income information

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## Amended Tax Returns

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

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

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

- Posted on Program Integrity Q & A website

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## Non-IRS Tax Filers

### Income Information for Non-IRS Tax Filers

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

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## Non-IRS Nontax Filers

### Income Information for Non-IRS Nontax Filers

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

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## V1– All Applicants

- Number in Household & Number in College

### Documentation:

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

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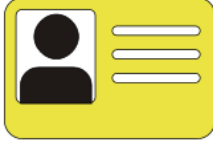
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## V4—Custom

- High School Completion Status
- Identity/Statement of Educational Purpose

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## High School Completion Status


- High school completion status

**Documentation**

- High school diploma; or
- Final official high school transcript showing date diploma awarded, or
- Secondary leaving certificate (for students who completed secondary education in a foreign country and are unable to get a copy of high school diploma/transcript), or
- DD-214 (if it specifically states that student is a high school graduate or equivalent)

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

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## High School Completion Status

- Recognized equivalent of a HS diploma

**Documentation**

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

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## High School Completion Status

- Test transcripts of State-authorized examinations

### Documentation

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

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## High School Completion Status

- Homeschooled

### Documentation

- Credential, transcript, or the equivalent, signed by the parent or guardian, that lists the secondary school courses completed by the applicant and documents the successful completion of a secondary school education, or
- A secondary school credential for homeschool provided for under state law

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## High School Completion Status - Updates

- If the school successfully verified and documented applicant's high school completion status for a prior award year, verification of high school completion status is not required for subsequent years
- A school may not accept as alternative documentation an applicant's self-certification

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### Identity/Statement of Educational Purpose


- Students that appear **in-person**

**Documentation**

- Present to an institutionally-authorized individual
  - A valid (unexpired) government-issued photo identification, **and**
  - A signed statement of educational purpose *provided by ED, text **cannot** be modified*
- Maintain an annotated copy of the identification:
  - The date documentation was received, and
  - The name of the institutionally-authorized individual that obtained the documentation

- Clarified that the valid photo ID must not have expired

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### Identity/Statement of Educational Purpose

- Student **unable to appear in-person**

**Documentation**

- Must provide the institution:
  - A copy of a valid (unexpired) government-issued photo identification  
AND
  - An original, **notarized** statement of educational purpose signed by the applicant (**cannot** be faxed or scanned)
    - Maintain a copy in the file
    - After examining the *original* Statement of Educational Purpose for accuracy and completeness, the institution may convert it into an electronic record

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### V5 – Aggregate

- High School Completion Status
- Identity/Statement of Educational Purpose  
**AND**
- All items indicated-Tax Filer (V1)
- All items indicated-Non-Tax Filer (V1)

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## Verification Reminders



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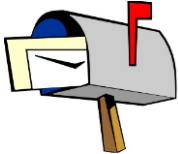
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## Transcript Requests – 2017-18

- “Get Transcript Online” at IRS.gov website
- Online ***Get Transcript by Mail***
- Automated phone tool (1-800-908-9946)
- Paper Form 4506-T or 4506T-EZ generate a paper transcript



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## Tax Identity Theft


Victims of IRS tax-related identity theft must submit

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

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

- Posted in 6/26/15 Federal Register Notice

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### Changes to Verification Tracking Groups

- Electronic Announcement issued October 31, 2016
- Guidance applies to 2016-17 and subsequent award years
- In general, whether selected initially or on a subsequent transaction, student must complete verification of the information required for the current Verification Tracking Group

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### Changes to Verification Tracking Groups

- Information previously verified does not need to be re-verified
- Because V5 is about the student's identity, failure to complete verification will, in most cases, require the student to repay any Title IV aid that was disbursed
- If, after verification is completed, it is determined that the student was overpaid, the student is liable for the overpayment

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### Changes to Verification Tracking Groups

#### Not initially selected; then selected for V1

- Until verification is complete, no further disbursements of **any** Title IV aid can be made, except on a case-by-case basis for Direct Unsubsidized Loans and Direct PLUS Loans
- If verification never completed, student must return all Title IV grant and Perkins Loan funds. Direct Unsubsidized, Direct Subsidized, and Direct PLUS loans and FWS wages earned do not have to be returned

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### Changes to Verification Tracking Groups

Initially not selected; then selected for V4 or V5

**OR**

Previously selected for V1 or V4; then selected for V5

- Until verification is complete, no further disbursements of **any** Title IV aid can be made, including Direct Unsubsidized and Direct PLUS Loans
- If verification is never completed or student fails to verify identity or high school completion status, the student must return **all** Title IV aid including Direct Unsubsidized, Subsidized, and PLUS loans
- FWS wages earned do not have to be returned
- The requirement for the student to return funds applies regardless of whether the student is still enrolled

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### Changes to Verification Tracking Groups

Once verification is complete if —

No change to EFC

- Student may receive all Title IV aid for which eligible and may be employed under FWS

EFC decreases

- All aid for the award year must be based on new EFC
- Disbursements must be consistent with late disbursement rules, if applicable

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### Changes to Verification Tracking Groups

EFC increases

- All awards, disbursements, and FWS must be based on the verified higher EFC
- May result in overpayments of Title IV grants and Perkins Loans
- Follow normal rules for resolving any overpayments, including adjustments to upcoming disbursements

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## FAA Access – Identity Verification Results

- In 2014-15 an Identity Verification Results reporting function was added to FAA Access
- Schools report the verification results for identity and high school completion for students who have been selected for verification under V4 or V5

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## FAA Access – Identity Verification Results

**Whom to report:** student for whom school received an ISIR with a Verification Tracking Group of V4 or V5 AND for whom school requested verification documentation

- Do NOT include students the school selected for verification of identity or high school completion status

**When to report:** 60 days following the institution's first request to the student to submit the required V4 or V5 identity and high school completion documentation

- Changes to previously submitted identity verification results must be updated within 30 days

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## FAA Access – Identity Verification Results

New Value #6 added to drop-down options for 2017-18:

1. Verification completed in person, no issues found
2. Verification completed remotely, no issues found
3. Verification attempted, issues found with identity
4. Verification attempted, issues found with HS completion
5. No response from applicant or unable to locate
6. Verification attempted, issues found with both identity and HS completion



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## Verification & PJ

- For applicants **selected** for verification (by ED or school), *must complete verification before PJ adjustments* made [HEA section 479A(a)]
- But...all PJ adjustments do **NOT** require verification
  - *Does school require?*
- **Must** mark ISIR as PJ!
  - An ISIR with PJ **coded correctly** will **not** be subject to ED's verification selection

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## "Non-Verification" Reminders

**Regardless** of verification status

- Must resolve any and all "C-Codes"
  - Citizenship, Selective Service, Loan Default, etc.
- Must resolve conflicting information
  - Separate process from verification
  - Includes any information of which the school has knowledge

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## Early FAFSA: Identification and Resolution of Conflicting 2015 Income and Tax Information



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### Early FAFSA Conflicting Information

- New FOTW edits warn if one or more income or tax amounts reported for 2017-18 differs from amount reported on 2016-17 FAFSA
- Edits not triggered if
  - 2016-17 FAFSA transaction was based on estimated income/taxes,
  - There has been a change in dependency status between two years, or
  - There has been a change in either student's or parents' marital status between two years

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### Early FAFSA Conflicting Information

- CPS will identify conflicting information between the two years that once resolved would have significant impact on the applicant's EFC
- CPS will not flag if
  - Student is not expected to be Pell-eligible,
  - Change in dependency status between two years,
  - Change in student's or parents' marital status between two years, or
  - PJ was performed in either year

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### Early FAFSA Conflicting Information

- Institutionally required resolution
- Student's 2017-18 ISIR and SAR will be flagged with 'C' code and comment code 399
- If comment code 399 not included on 2017-18 ISIR, school is not required to determine if there are any differences in income or tax information between two ISIRs
  - However, any other conflicting information (e.g., citizenship status or HS completion status) must be resolved

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## Early FAFSA Conflicting Information

### Resolving potential conflicting information

- School must compare all of the 2015 income and tax-related items from both years' ISIRs to determine which are in conflict
- If, for either year, school had verified the information that conflicts, or student/parent used IRS DRT and did not change any of the transferred data, school can assume the verified values are correct and submit changes to other ISIR's data
- **Exception:** If school is aware that subsequent to verification an amended tax return was filed, school must ensure **both** years' ISIRs are based on the amended tax data

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## Code 399: Applicability of ISIRs

- No need to resolve if –
  - The school never received a 2016-17 ISIR, because the school has no conflicting information
  - The school received a 2016-17 ISIR but did not (and will not) disburse Title IV aid based on either of the ISIRs

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## Code 399: Applicability of ISIRs

- Must resolve if –
  - The school received a 2016-17 ISIR and disbursed, or may disburse, 2016-17 aid
    - Even if the institution did not and will not disburse 2017-18 aid
  - The school received a 2016-17 ISIR but did not review or process that ISIR and the school did or may disburse 2017-18 aid

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## Code 399

### Disbursements and Overpayments: Different Rules than Verification

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### Code 399: Disbursements and Overpayments

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No resolution

- Must hold all 2017-18 Title IV aid
- Must consider the student to be in an overaward status for any need-based 2016-17 aid that was disbursed, and student must cease any FWS work

Correction to 2017-18

- School must use the EFC from the corrected ISIR for awarding and disbursing all Title IV aid for 2017-18

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### Code 399: Disbursements and Overpayments

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Correction to 2016-17

- Lower EFC: Must disburse any additional 2016-17 aid the student is eligible to receive, consistent with the late disbursement rules at 34 C.F.R. § 668.164(j)
- Higher EFC: Must recalculate 2016-17 eligibility based on the corrected EFC
- Could result in overaward

Resolving Overawards

- Adjust any future 2016-17 disbursements, if possible;
- If that is not possible, potential for a Title IV overpayment in one or more programs

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## Code 399: Disbursements and Overpayments

### Resolving overawards and overpayments

- Title IV Grants and Perkins Loans
  - Adjust subsequent disbursements if possible
  - If not resolved by adjusting subsequent disbursements, student must repay portion disbursed for which he or she is no longer eligible
  - School is not liable
  - Follow normal overpayment rules and procedures
- Direct Subsidized Loans
  - Does not need to be immediately repaid but instead will be repaid under terms of promissory note
  - No action school must take except to record its determination

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## Resources

### Federal Student Aid Handbook

- Application and Verification Guide – Chapter 4

### Federal Register

- April 1, 2016 (2017-18 verification items & documentation)
  - <https://ifap.ed.gov/fregisters/FR040116FAFSA20172018BeVerified.html>

### Dear Colleague Letters

- GEN-16-07 published on April 5, 2016 (2017-18 verification items and documentation)
  - <https://ifap.ed.gov/dpcletters/GEN1607.html>
- GEN-16-14 published on August 3, 2016 (conflicting 2015 tax and income information)
  - <https://ifap.ed.gov/dpcletters/GEN1614.html>

### Electronic Announcements

- July 29, 2016 (2017-18 suggested verification text)
  - <https://ifap.ed.gov/eannouncements/072916VerificationSuggestedTextPackageFor20172018.html>
- February 23, 2017 (IRS documentation requests, uses, and messaging)
  - <https://ifap.ed.gov/eannouncements/022317VerificationIRSDocRequestsUsesMessaging.html>

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## Resources

**Program Integrity Q & A Website (Verification)**


- <http://www2.ed.gov/policy/highered/reg/hearulemaking/2009/integrity-qa.html>

**FSA Assessments**

- <http://ifap.ed.gov/qahome/qaassessments/fsaverification.html>
- Activity 3 – Verification Codes

**Federal Regulations**

- 34 C.F.R. § 668 Subpart E (668.51 – 668.61)
- 34 C.F.R. § 668.16(f)



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## Review

- Background
- 2016-17 Verification Changes Overview
- 2016-17 Verification Tracking Groups & Documentation
- Verification Reminders
- Conflicting 2015 Tax/Income Information
- Resources



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## Department of Education Contacts

**Research and Customer Care Center**  
800.433.7327  
[fsa.customer.support@ed.gov](mailto:fsa.customer.support@ed.gov)



**Reach FSA**  
855.FSA.4FAA -- 1 number to reach 10 contact centers!

eZ-Audit	Campus Based Call Center
COD	School Eligibility Service Group
CPS/SAIG	Foreign Schools Participation Division
NSLDS	Research and Customer Care Center
G5	Nelnet Total & Permanent Disability Team

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## Contacts

- Chicago/Denver School Participation Division
  - Main Number: 312-730-1511
  - Effie Barnett (IIS) 312-730-1587
  - George West (IIS) 312-730-1538
- Denver Training Officer
  - Joseph Massman 303-844-0432
- Email – firstname.lastname@ed.gov



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## Training Feedback

To ensure quality training we ask all participants to please fill out an online session evaluation

- Go to <https://www.surveymonkey.com/s/Massman>
- Evaluation form is specific to Joseph Massman
- This feedback tool will provide a means to educate and inform areas for improvement and support an effective process for “listening” to our customers
- Additional feedback about training can be directed to JoAnn.Borel@ed.gov; 409-579-3776

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## Questions?

Contact me with follow-up questions about this session:

Joseph Massman, Federal Training Officer  
[Joseph.Massman@ed.gov](mailto:Joseph.Massman@ed.gov); 303-844-0432



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