


Fitting a Square Peg into a Round Hole

College Goal Sunday and IRS Data Retrieval


National Association of Student
Financial Aid Administrators Presents...

Fitting a Square Peg into a Round Hole


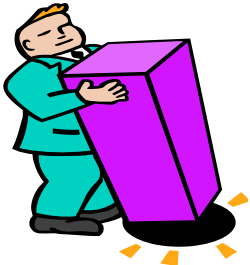
College Goal Sunday
and IRS Data Retrieval




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Square Pegs and Round Holes




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Agenda

- History of IRS data retrieval
- How IRS data retrieval works
- Process limitations
- ED plans for IRS data retrieval
- CGS and IRS data retrieval



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History of IRS Data Retrieval

- Authorizing legislation
- Implementation delays
- Role of Obama Administration



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How IRS Data Retrieval Works

- Use of FAFSA on the Web
- Authentication
- Options after tax records retrieved



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Process Limitations

- Format and timing of tax filing
- Applicants who can't use IRS data retrieval
- Available data



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Data Retrieved Through Process

- Filing status
- Tax return type
- Adjusted gross income
- Income tax paid
- Exemptions
- Education credits
- IRA deductions and payments
- Tax-exempt interest income
- Untaxed IRA distributions
- Untaxed pensions



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Other Items Reported on the FAFSA

Applicant will still need to report other financial information and untaxed income



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ED Plans for IRS Data Retrieval

- Increase use
- Improve authentication process
- Guidance for 2012–13 processing cycle and beyond



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Impact of ED Plans

- Updating estimated tax data
- Explanation of why applicant did not use IRS data retrieval
- Verification documentation requirements



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CGS and IRS Data Retrieval

Discussion questions:

- What percentage of applicants at CGS events are able/unable to use data retrieval?
- Are applicants wary of using data retrieval? Why?
- What would make data retrieval more user friendly?



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CGS Strategies

- Use of prescreening interview or questionnaire
- Group presentations prior to FOTW
- Follow-up counseling and materials





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Questions



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NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS



Publication Date: February 23, 2011

DCL ID: GEN-11-03

Subject: Enhancements to the FAFSA-IRS Data Retrieval Process

Summary: This letter provides important information about enhancements that have been made to the FAFSA-IRS Data Retrieval process for the 2011-2012 FAFSA processing cycle. It also announces further enhancements scheduled for the 2012-2013 FAFSA processing cycle and other steps we will take to increase the accuracy of information used to determine the eligibility of students for federal student aid.

Dear Colleague:

Thank you for continuing your extraordinary work on behalf of our students and their families during this time of remarkable growth in the federal student financial aid programs. In recent years, we have worked hard to make it easier for students and their families to apply for federal aid than ever before. With student aid at an all-time high, all of us must be especially vigilant in ensuring that the taxpayers' investment in postsecondary education is well spent. Therefore, I am writing to you today to inform you of enhancements that we have planned for the FAFSA-IRS Data Retrieval process and to the verification process beginning with the 2012-2013 award year. First, however, I want to share with you our experience thus far with our new partnership with the Internal Revenue Service (IRS).

FAFSA-IRS Data Retrieval Process - In January 2010, Federal Student Aid (FSA) implemented a new feature in FAFSA on the Web (FOTW) that allows financial aid applicants and their parents to retrieve, directly from the IRS, certain income and other information they had reported on their 2008 federal income tax returns and to automatically transfer that information to their 2009-2010 FAFSA application. Applicants who used the FAFSA-IRS Data Retrieval process were, therefore, not required to manually enter into their FAFSA income and related information that is included on a tax return. To date, approximately one million federal financial aid applicants and parents have used this simple and time saving process.

While some FOTW applicants are not eligible to use the FAFSA-IRS Data Retrieval process - including married couples who file separate tax returns and applicants whose marital status has changed since January 1 of the processing year - 84 percent of FAFSA filers are able to use the FAFSA-IRS Data Retrieval process either at the time of initial FOTW filing or later when making corrections (see below for more information about the corrections process). We have been working with the IRS to find ways to increase usage of the FAFSA-IRS Data Retrieval process to further simplify the aid application

process, to improve the accuracy of aid awards, and to reduce administrative burden on families and institutions.

Verification - In 2010, we provided guidance to the financial aid community stating that institutions could consider an applicant's or parent's use of the FAFSA- IRS Data Retrieval process to be "acceptable documentation" for verification of Adjusted Gross Income (AGI), U.S. Taxes Paid, and certain untaxed income items reported on the tax return, if the code on the applicant's Institutional Student Information Record (ISIR) showed that the information was retrieved from the IRS and had not been changed. Use of the FAFSA-IRS Data Retrieval process ensures that applicants and their families, as well as institutions are relieved of significant administrative burden, while at the same time ensuring that federal student aid is provided based upon accurate income-related information.

FAFSA Processing Year 2011-2012 - Earlier this winter, FSA announced enhancements to the FAFSA-IRS Data Retrieval process to increase its usage so as to further reduce burden and ensure accuracy. First, the FAFSA-IRS Data Retrieval process for the 2011-2012 FAFSA filing year began on January 30, 2011 - a full year earlier than for the 2009-2010 year. And, beginning with 2011-2012, applicants will be able to use the FAFSA-IRS Data Retrieval process when making on-line corrections to their FAFSA and not just at the time of initial FAFSA completion. By implementing this process at the start of the 2011-2012 federal financial aid application cycle, we are taking advantage of systems advances at the IRS in processing individual federal income tax returns.

Applicants who file their IRS income tax returns electronically (according to the IRS expected to be more than 70 percent) can expect their tax return information to be available for retrieval and transfer within two weeks of filing. Information for paper tax return filers will generally be available within eight weeks of filing. Finally, we are working with the IRS to help taxpayers authenticate their identity to the IRS more easily and securely, allowing even more applicants to benefit from the FAFSA-IRS Data Retrieval process.

FAFSA Processing Year 2012-2013 - Beginning in January 2012, all 2012-2013 FOTW applicants, and the parents of dependent applicants, who indicate that they have filed their federal tax returns prior to completing their FAFSA and who are otherwise eligible will be directed to use the FAFSA-IRS Data Retrieval process to complete their FAFSA more easily and accurately. Applicants who chose not to use the FAFSA-IRS Data Retrieval process, or who retrieve IRS data but subsequently change it, will be informed that they will need to explain to their institutions why information they provided is more accurate than the information that would have been obtained directly from the IRS, and depending on their responses may need to provide information obtained directly from the IRS. In general, all applicants who have already filed but elect to not use the retrieval process will be subject to being selected for verification based upon the risk they pose to federal funds and, if they are selected, will be required to support their reported FAFSA data with information obtained directly from the IRS.

Of course, some FOTW applicants who are otherwise eligible to use the FAFSA-IRS Data Retrieval process will not have filed their income tax returns prior to completing the FAFSA. In these instances, information on the FOTW web pages will remind the applicant that once they have filed their tax return with the IRS they should, using the FAFSA on-line corrections process, access their IRS information using the FAFSA-IRS Data Retrieval process and update their FAFSA data. Over the weeks that follow, using emails and other communications, FSA will remind applicants that once they have filed their income tax return they should use the FAFSA corrections process to update their FAFSA using the FAFSA-IRS Data Retrieval process.

All applicants who used the FAFSA-IRS Data Retrieval process to transfer IRS data to their FAFSA, either at the time of initial FOTW filing or later using the FAFSA corrections process, will have met any verification requirements with respect to those data since, as noted above, use of the FAFSA-IRS Data Retrieval process is considered acceptable documentation as long as the data were not subsequently changed. Those financial aid applicants who did not use the FAFSA-IRS Data Retrieval process, despite a series of reminders from FSA - as well as those applicants who were not eligible to use the process - will be subject to the usual verification selection process, where applicants with the highest probability of application error are selected for verification by the institution. These applicants will need to work with their institutions to complete verification. The simplest way to do so is to use the FAFSA-IRS Data Retrieval process.

Since most applicants can quickly and easily access IRS data through the FAFSA-IRS Data Retrieval process, we no longer consider it reasonable for an institution to accept anything less reliable than direct IRS-supplied evidence for verification of income data. Therefore, if an applicant selected for verification has not successfully transferred information from the IRS, or one who did transfer the information but then changed it, the Department expects the institution to require the applicant, and if necessary the applicant's parents, to provide an official IRS transcript of their Federal income tax information.

These changes to the FAFSA-IRS Data Retrieval process and the noted enhancements to the verification process will improve the administration and integrity of the Federal Pell Grant Program by ensuring that applicants receive the correct amount of a Pell Grant for which they are eligible and that Pell Grants go to the neediest applicants, as required by the law. The changes will reduce inaccurate payments in the Pell Grant Program by at least \$340 million in the 2012 federal fiscal year. And, these changes will further reduce the complexity and burden on applicants and on institutions as compared to the current manual and paper-based verification process, both well-documented barriers to accessing student aid and ultimately, postsecondary opportunities.

Over the next several months we will be providing more detail on our plans for the 2012-2013 FAFSA processing year which will begin in January of 2012, including information related to the new verification regulations that were published on October 29, 2010 and will become effective with the 2012-2013 award year. In the meantime, if you have questions on the contents of this

letter, you may contact please our Research and Customer Care Center staff. Staff is available Monday through Friday between the hours of 9:00 AM and 5:00 PM (Eastern Time) at 1-800-433-7327. After hours calls will be accepted by an automated voice response system. Alternatively, you may e-mail the Care Center at fsa.customer.support@ed.gov.

Sincerely,

William J. Taggart
Chief Operating Officer
Federal Student Aid
U.S. Department of Education

Use of IRS Data Retrieval and Completing FAFSA on the Web

Beginning with the 2012–13 processing cycle, the U.S. Department of Education (ED) will more strongly encourage the use of IRS data retrieval in the completion of the FAFSA on the Web (FOTW). The following table illustrates how ED’s plans could impact various types of applicants. For additional information, see Dear Colleague Letter GEN-11-03.

Applicant Type	IRS Data Retrieval	Uses Data Retrieval	Doesn’t Use Data Retrieval/Changes Data
Applicant completes tax return before completing FOTW	Applicant directed to use data retrieval process	Applicant satisfies verification requirements for transferred data	Applicant more likely to be selected for verification; if selected must explain why data from applicant more accurate than data obtained through retrieval and may have to submit data directly from IRS (transcript)
Applicant does not complete tax return before completing FOTW	Applicant encouraged to submit corrections using data retrieval process	Applicant satisfies verification requirements for transferred data	Applicant more likely to be selected for verification; if selected must explain why data from applicant more accurate than data obtained through retrieval and may have to submit documentation directly from IRS (transcript)
Applicant not eligible to use data retrieval process	Applicant not given option to use process	N/A	If selected for verification will need to submit documentation; school may request documentation directly from IRS (transcript)