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Helping Students Make it After All!





FAFSA – IRS Match

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Today's Topics

- Introductions
- Background
- Legal Status
- Challenges
- Implementation Issues
- Discussion Questions



Two Words to Remember—

“Uncertainty”

“Collaboration”



Background



Why Is a FAFSA – IRS Match Important?

*THE RIGHT MONEY, TO THE RIGHT PEOPLE
AT THE RIGHT TIME, IN THE RIGHT WAY*

- More than \$300 million per year in Pell Grant overawards
- Included in President's Management Agenda
- Included in Department's Strategic Plan
- Savings in President's Budget
- FY04 Budget Conference Report & ACSFA Simplification Study



Is a FAFSA – IRS Match a Big Deal?

YES!!!

A match of FAFSA data with tax data from the IRS will be a major event in the history of student aid program administration

As significant as –

- Creation of the Pell Grant Program
- Common Form
- Single Need Analysis Methodology
- Unsubsidized Loans
- Direct Loans



What is the FAFSA – IRS Match?

A FAFSA – IRS Match would compare selected data from an applicant's FAFSA with comparable data submitted by the taxpayer to the IRS --

- Adjusted Gross Income
- Taxes Paid
- Total Earnings from Employment
- Filing Status (e.g., single, married)
- Type of Tax Form (e.g., 1040, 1040A, 1040EZ)



Legal Status



Why Don't We Already Have a FAFSA – IRS Match?

- 1998 HEA Reauthorization
- Internal Revenue Code Section 6103
- 1998 IRS Restructuring and Reform Act
 - Confidentiality Studies
 - Treasury Department
 - Joint Committee on Taxation





What is the Legal Status of a FAFSA – IRS Match?

- HR 3613 – the “Student Aid Streamlined Disclosure Act of 2003”
- Introduced November 21, 2003
- House Ways and Means Subcommittee on Oversight
- Invitation to Comment by January 23, 2004
- Outlook



What Are the Next Steps?

- Await passage of legislation
- Meet with IRS staff to gather more information
- Continue to consult with the financial aid community
- Establish an IRS Match Design Team that includes FAAs, students, and others
- Establish an IRS Demonstration Pilot



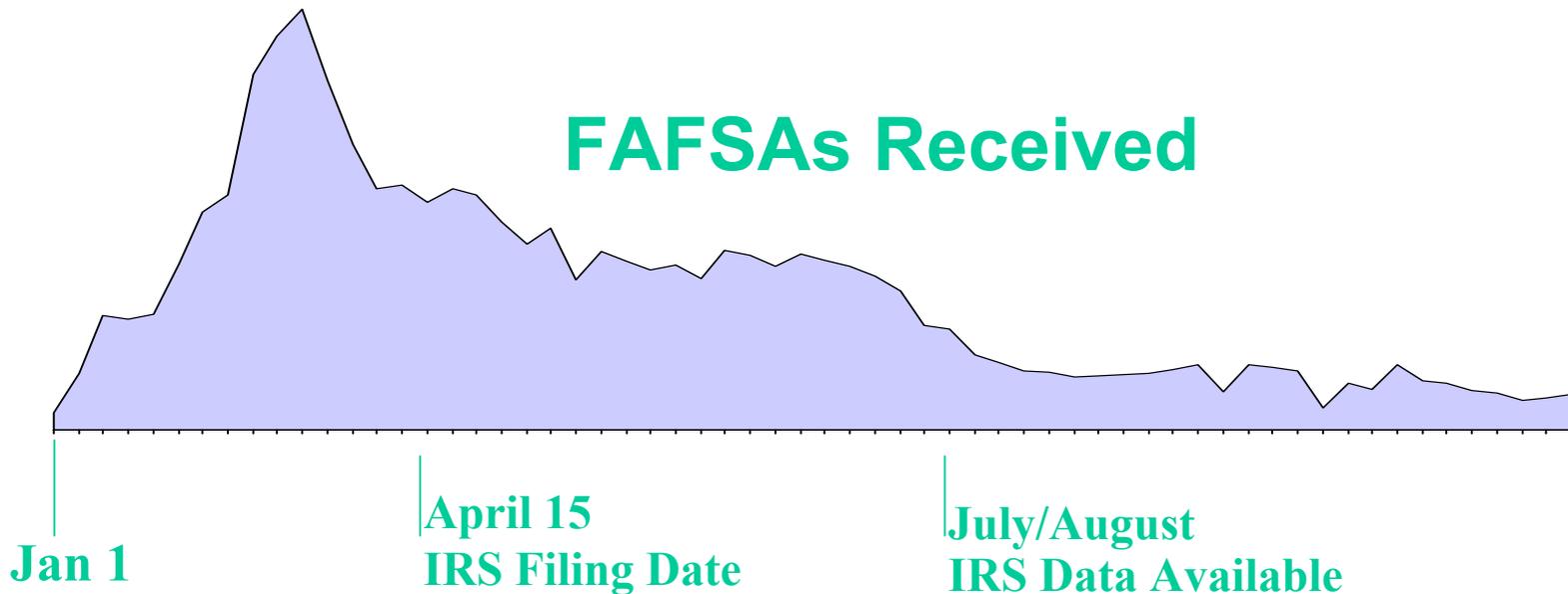
Challenges

- Calendar
- Statutory
- Operational



Calendar Challenges to Implementing a FAFSA – IRS Match

- Calendar Issues
 - Tax Year and IRS Filing vs FAFSA Processing
 - Availability of Tax Data and Award Year





Calendar Challenges

Applying for Aid as a Two-Step Process

- Complete and submit a FAFSA, with estimated income information, if necessary
- Update tax data as soon as tax returns are completed
- ED sends e-mail reminders to students and parents after the April 15th tax filing deadline reminding them to confirm that their FAFSA contains accurate information



E-mail Reminder

Selection Criteria in 2004-05

- On latest FAFSA transaction, the student or the student's parent provided
 - Estimated income information
 - Valid e-mail address
- Excluded from selection criteria
 - First year and graduate students
 - Students with EFCs >7500
 - Students who were selected for verification on last transaction



Statutory Challenges to Implementing a FAFSA – IRS Match

- **Legal Authority Issues**
 - Use of Contractors
 - Release of Actual Data vs. “Fact of Discrepancy” to schools
 - Informing Applicant/Taxpayer
 - School’s Third Party Servicers



Operational Challenges to Implementing a FAFSA – IRS Match

■ Other Issues

- SSN Mismatches
- Late Tax Filers
- Changes in Marital Status
- Amended Returns
- Non-filers
- Applicants from Puerto Rico
- Applicants with Foreign Tax Returns
- Subsequent Corrections
- Professional Judgment Changes





What is the School's Role?

- Help inform applicants of IRS match and change in process
- Communicate with applicant
- Ensure that applicants update information
- Request documentation
- Notify ED/FSA of resolution
- Hold disbursements
- Collect/Report overpayments



What is the School's Role?

Disbursements

- Responsible Once Notified of Problem
 - No additional disbursements
 - Assist in recovering overpayments
 - Possible flexibility for upcoming disbursements

Verification

- IRS Match ultimate verification
- Modify regulations
- Allow schools flexibility



Implementation Issues



How Would a FAFSA – IRS Match Work?

- Six steps in the income verification process
 - **Step 1:** Match FAFSA data with IRS data
 - **Step 2:** Identify discrepancies
 - **Step 3:** Determine impact of discrepancies
 - **Step 4:** Notify parties of IRS match results
 - **Step 5:** Perform resolution and hold or recover payments
 - **Step 6:** Analyze process



Discussion Questions



At what time during the processing year should ED perform the match and notify students, parents and schools of the match results?



What kind of tolerance should we use?

- Any difference between FAFSA data or IRS?
- Any change in EFC?
- A change in award amount?





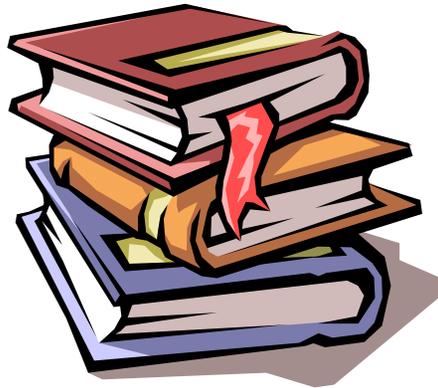
**Could we use prior prior year
data to resolve the timing
issue?**



If all applicants (not just Pell-eligibles) are matched, will ED need to start requiring schools to submit all FAFSA changes to the CPS?



What documentation or process should be required to resolve mismatches?





**How should the match affect
the current verification
process/requirements?**



If the school did a Professional Judgment, should ED match on the prior transaction?



In a demonstration pilot, must we notify the other schools listed on the student's application of an IRS discrepancy?



**How will schools resolve
“legitimate” discrepancies
(e.g., recent divorces or
remarriages)?**



How will an IRS match affect QA schools?



How should ED notify parties of the IRS match results?

- Students and parents?
- Schools?
- Others?





What kind of flexibility should schools have related to current disbursement rules, i.e. liability?



How will the match process address late tax filers and amended returns?



How can ED improve the e-mail reminder process sent to students after the April 15th tax filing deadline?



What steps can ED take to minimize disruptions to aid delivery?



Comments, Suggestions, Offers

We appreciate your feedback. Please e-mail your thoughts and ideas to:

E-mail: irsmatch@ed.gov

