PROTECTING FEDERAL TAX INFORMATION (FTI) AT YOUR INSTITUTION

Alexis Osemwegie
Training Officer
June 8, 2023
BETTER FAFSA® BETTER FUTURE SERIES

✓ 6/6: Better FAFSA® Better Future Overview and Timeline

❑ 6/8: Protecting Federal Tax Information (FTI) at Your Institution

❑ 6/13: ISIR vs. ISIR

❑ 6/15: Professional Judgment, Dependency Status, and Verification

❑ 6/20: Q&A Session 1

❑ 6/22: Student Aid Index Part 1

❑ 6/27: Student Aid Index Part 2

❑ 7/6: Pell Minimum, Maximum, and In Between

❑ 7/11: The FAA’s Role in FAFSA Simplification

❑ 7/13: Q&A Session 2

❑ Summer: FAFSA Demonstration
AGENDA

1. Federal Tax Information (FTI)
2. FUTURE Act Direct Data Exchange (FADDX)
3. FTI Consent to Disclose
4. Protecting FTI
FEDERAL TAX INFORMATION (FTI)
FTI

Any return or return information received from the IRS or secondary source

Consists of tax data elements or information derived from tax returns

Used for purposes of administering federal aid programs

Systems that receive FTI must meet the Safeguard and Security requirements

Tax information manually supplied by taxpayers is NOT considered FTI by the IRS
FTI CHARACTERISTICS

Federal Tax Information (FTI)

- Personally Identifiable Information (PII)
- Categorized as confidential
AUTHORIZED USES OF FTI

FUTURE Act authorizes FSA to receive FTI data for:

- **The FAFSA® form**: Determine eligibility for and amount of federal student aid

- **Income-Driven Repayment (IDR)**: Determine eligibility and repayment obligations for income-driven repayment plans
FTI CONTRIBUTORS

*All contributors need an FSA ID to provide online consent*

- Applicant
- Applicant’s parent(s)
  - Only for dependent applicants
- Applicant’s spouse
  - Only if taxes are not filed jointly

*Contributors without a social security number are asked to provide their Individual Taxpayer Identification Number (ITIN)*
USING FTI DATA – FAFSA AND IDR

**FTI DATA FOR FAFSA**

Used to determine student eligibility for *Title IV*, state, institutional aid programs

- Requires consent of all FAFSA contributors
- Consent is FAFSA-year specific

**FTI DATA FOR IDR**

Used to apply/recertify for income-driven repayment program (IDR)

- Annual automatic recertification of eligibility determination
- May revoke consent; alternative documentation of income (ADOI) or (re)consent required
FAFSA SPECIFIC FTI DATA ITEMS

- Tax year
- Tax filing status
- Adjust Gross Income (AGI)
- Number of exemptions and dependents*
- Income earned from work
- Taxes paid
- Educational credits
- Untaxed IRS distributions
- IRA deductible and payments
- Tax exempt interest
- Untaxed pension amounts
- Schedule C net profit/loss
- Indicators for Schedules
- IRS Response Code

*Tax return no longer includes exemptions
FTI DATA - IRS RESPONSE CODE

IRS Response Code indicates status of tax filer with IRS

- **Tax filer and FTI provided to Federal Tax information Module (FTIM)**
  IRS has valid record of FTI contributor(s)

- **Not found at the IRS**
  IRS does not have record of tax return transcript submission

- **Found and a non-filer**
  Contributor's demographic information is present from previous year, but no current record of tax submission

- **IRS unable to provide information**
  IRS has contributor's tax transcript, but FTI not released
FUTURE ACT DIRECT DATA EXCHANGE (FADDX)
IRS DATA RETRIEVAL TOOL (DRT)

Last used 2023-24 award year

- Developed in the early 2000s
- Designed to allow students and parents to import tax return data
- Allows the taxpayer to transfer their data from the IRS to FSA
Internal Revenue Code (IRC) amended to authorize FSA to receive individuals’ FTI directly from IRS
HOW FTI DATA IS PROCESSED

Data retrieved from IRS

Federal Tax Information Module calculates the Student Aid Index (SAI)

Federal Tax Information Module sends Student Aid Index and intermediate values to FPS

Schools receive FTI on Student Information Record (ISIR)*

*Provided upon approval and consent of the contributor(s)
FTI DATA ON THE ISIR

FTI block has 4 subgroups

• Student
• Student Spouse
• Parent
• Other Parent

Draft 2024–25 ISIR Record Layout
STUDENT AID INTERNET GATEWAY SOFTWARE UPGRADE

- Must be installed to receive 2024-25 ISIRs
- Used for all award years
- Increased security for authentication of FTI-SAIG authorized users
FTI SAIG MAILBOX

Partners enrolled to receive ISIRs must

- Inform appropriate leadership teams of impending change
- Enroll for an FTI SAIG mailbox
- Sign an updated agreement
- Install upgraded software
FTI CONSENT TO DISCLOSE
Contributor(s) must consent for ED to use their FTI

Consent includes authorization to redisclose FTI to IHE*, state higher education agency, and designated scholarships organizations

Only ED may obtain approval and consent to use FTI

*FTI shall not be shared with any other entity without explicit written consent of applicant unless as permitted under IRC 6103(l)(13)(D).
Contributors must agree to:

1. Department’s use of disclosure of their information (e.g. name and Social Security number) to match with IRS
2. Disclosure of their federal tax information (FTI) by the IRS to the Department
3. Use of their FTI by a Department official to determine applicant’s eligibility
4. Redisclosure of FTI by the department to eligible institution, state higher education agency, and designated scholarship organizations.

*Schools or other entities are not permitted to obtain approval and consent on behalf of FAFSA contributors for the use of disclosure of FTI*
FTI consent **cannot** be revoked after it has been given for that FAFSA cycle.
CORRECTING FTI – PROFESSIONAL JUDGMENT

In **limited** circumstances fields can be entered manually*

- Conflict between marital status and tax filing status
- IRS unable to provide FTI

*For IRS purposes FTI is never changed and manually provided information never overwrites FTI received from the IRS
FAFSA AND FTI DATA
FAFSA DATA VS. FTI DATA

**FAFSA DATA**

All data and information provided by a contributor (including parent(s) or spouse) on the FAFSA.

- Personally-Identifiable Information (PII) (e.g., name, SSN, address, etc.)
- Dependency status, other financial information (non FTI), and college information
- Includes data that is derived from the FAFSA (e.g., EFC/SAI, Pell eligibility)

**FTI DATA**

Includes federal tax information for any contributor on the FAFSA (i.e., applicant, parent(s), and spouse).

- Any data provided by the IRS to the Department
- Includes IRS response codes
- Includes the existence or non-existence of FTI data
USE CASE #1A - REDISCLOSURE

Can FAFSA Data (including FTI) be redisclosed to the student?

Yes. All the information in the student’s complete, unredacted FAFSA Submission Summary (FSS), including any return information, may be redisclosed to the student.
USE CASE #1B - REDISCLOSURE

Can FAFSA Data (including FTI) be redisclosed to a student-chosen scholarship organization?

Yes. The information in a complete, unredacted FSS, including any return information, may be redisclosed to a scholarship organization of the student’s choosing with the student’s express written consent.
USE CASE #2 - RESEARCH

Can FAFSA Data (including FTI) be used for research?

Institutions and state higher education agencies may use FAFSA data, excluding FTI information, for research that does not release individually identifiable information (PII) on any applicant for purposes of promoting college attendance, persistence, and completion.
Can institutions/ state higher education agencies share/ disclose FAFSA data (including FTI) with their contractors?

Yes, FAFSA data (including FTI) may be further disclosed to contractors but only to the extent necessary in carrying out the application, award, and administration of financial aid awarded by federal, institutional, state, or designated scholarship organizations.
PROTECTING FTI
AUTHORIZED PERSON

IRC § 6103(l)(13)(E)

ED officer, employee, or contractor specifically authorized and designated by the Secretary for purposes of:

• Income-Driven Repayment (IDR) applications/recertifications
• Total and Permanent Disability (TPD) loan discharges
• Federal student financial aid
Federal Tax Information (FTI) is considered Controlled Unclassified Information (CUI)

- CUI contains sensitive PII
- CUI is information that:
  - Requires safeguarding
  - Requires dissemination controls
  - Is not classified
SAFEGUARDING FTI

IRC § 6103(l)(13)(D)(iii); NIST Special Publication 800-171

- Appropriate receipt, handling, marking, and safeguard of CUI data
- IHE and TPS should use NIST SP 800-171 guidance to effectively safeguard FTI
- Upcoming updates to Program Participation Agreements (PPA), Student Aid Internet Gateway (SAIG)

*Violations of Section 6103(l) of the IRC are criminal and civil*
SAFEGUARDING FTI- CUI MARKINGS

- Must retain CUI//SP-TAX labeling of FTI wherever data is stored
- Labels must be present when FTI is inspected or used
- Federal aid applicant’s ISIR will include (2) FTI label fields:
  - FTI Label Start at the **beginning**: ‘CUI//SP-TAX’
  - FTI Label End near the **end**: ‘CUI//SP-TAX’
    - OR -
  - It may accompany each individual FTI data element
## CUI MARKINGS - EXAMPLES

<table>
<thead>
<tr>
<th>#</th>
<th>FAFSA #</th>
<th>Start</th>
<th>End</th>
<th>Length</th>
<th>Field Name</th>
<th>Valid Content</th>
</tr>
</thead>
<tbody>
<tr>
<td>934</td>
<td>N/A</td>
<td>6999</td>
<td>7048</td>
<td>50</td>
<td>Filler</td>
<td>For Federal Student Aid use only</td>
</tr>
<tr>
<td>935</td>
<td>N/A</td>
<td>7049</td>
<td>7059</td>
<td>11</td>
<td>FTI label start</td>
<td>Exact string: &quot;CUI/SP-TAX&quot;</td>
</tr>
<tr>
<td>936</td>
<td>N/A</td>
<td>7060</td>
<td>7063</td>
<td>4</td>
<td>Returned tax year</td>
<td>Year in format: &quot;CCYY&quot;</td>
</tr>
<tr>
<td>937</td>
<td>N/A</td>
<td>7064</td>
<td>7064</td>
<td>1</td>
<td>Filing status code</td>
<td>1 - Single 2 - Married-Filed Joint Return 3 - Married-Filed Separate Return 4 - Head of Household 5 - Qualifying Widow(er)</td>
</tr>
<tr>
<td>938</td>
<td>N/A</td>
<td>7065</td>
<td>7073</td>
<td>9</td>
<td>Adjusted Gross Income</td>
<td>-9999999999 - 9999999999 &lt;Blank&gt;</td>
</tr>
<tr>
<td>939</td>
<td>N/A</td>
<td>7074</td>
<td>7075</td>
<td>2</td>
<td>Number of exemptions</td>
<td>0 – 99</td>
</tr>
<tr>
<td>940</td>
<td>N/A</td>
<td>7076</td>
<td>7077</td>
<td>2</td>
<td>Number of dependents</td>
<td>0 – 99</td>
</tr>
<tr>
<td>941</td>
<td>N/A</td>
<td>7078</td>
<td>7088</td>
<td>11</td>
<td>Total income earned</td>
<td>00000000000 – 99999999999 &lt;Blank&gt;</td>
</tr>
<tr>
<td>1013</td>
<td>N/A</td>
<td>7476</td>
<td>7476</td>
<td>1</td>
<td>Schedule F indicator</td>
<td>1 – Yes 2 – No</td>
</tr>
<tr>
<td>1014</td>
<td>N/A</td>
<td>7477</td>
<td>7477</td>
<td>1</td>
<td>Schedule H indicator</td>
<td>1 – Yes 2 – No</td>
</tr>
<tr>
<td>1015</td>
<td>N/A</td>
<td>7478</td>
<td>7480</td>
<td>3</td>
<td>IRS response code</td>
<td>Possible values: 200, 203, 212, 214</td>
</tr>
<tr>
<td>1016</td>
<td>N/A</td>
<td>7481</td>
<td>7491</td>
<td>11</td>
<td>FTI label end</td>
<td>Exact string: &quot;CUI/SP-TAX&quot;</td>
</tr>
<tr>
<td>1017</td>
<td>N/A</td>
<td>7492</td>
<td>7541</td>
<td>50</td>
<td>Filler</td>
<td>FSA Use Only</td>
</tr>
<tr>
<td>1018</td>
<td>N/A</td>
<td>7542</td>
<td>7556</td>
<td>15</td>
<td>Student total income</td>
<td>-99999999999 – 999999999999</td>
</tr>
<tr>
<td>1019</td>
<td>N/A</td>
<td>7557</td>
<td>7571</td>
<td>15</td>
<td>Parent total income</td>
<td>-99999999999 – 999999999999</td>
</tr>
<tr>
<td>1020</td>
<td>N/A</td>
<td>7572</td>
<td>7586</td>
<td>15</td>
<td>FISAP total income</td>
<td>-99999999999 – 999999999999</td>
</tr>
<tr>
<td>1021</td>
<td>N/A</td>
<td>7587</td>
<td>7636</td>
<td>50</td>
<td>Filler</td>
<td>FSA Use Only</td>
</tr>
<tr>
<td>7636</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Total Field Length</td>
<td></td>
</tr>
</tbody>
</table>
FTI AND SCHOOL RESPONSIBILITY

RESPONSIBILITY OF SCHOOL

- Read and sign SAIG enrollment agreement (Fall 2023)
- Enroll in FTI SAIG mailbox
- Install (upgraded) SAIG software
- Maintain CUI Markings

WHO SHOULD HAVE ACCESS

Only those with an official need (for purposes of determining eligibility for and amount of federal, state, and institutional aid) under the Title IV

SAFEGUARDING FTI IN YOUR SYSTEM

- Maintain appropriate receipt, handling, marking, and safeguarding of CUI data
- Establish appropriate cybersecurity safeguard
## RISKS OF MISUSING FTI

<table>
<thead>
<tr>
<th>IRC §7213</th>
<th>IRC §7213A</th>
<th>IRC §7431</th>
</tr>
</thead>
<tbody>
<tr>
<td>Willful unauthorized <strong>disclosure</strong> of tax return or return information</td>
<td>Willful unauthorized <strong>inspection</strong> of tax return or return information</td>
<td>Knowing or negligent inspection or disclosure of tax return or return information by officer or employee in violation of any provision of IRC §6103</td>
</tr>
<tr>
<td>Felony; fine up to $5,000, or imprisonment up to 5 years, or both, plus the costs of prosecution</td>
<td>Fine up to $1,000, imprisonment up to 1 year, or both, plus the costs of prosecution</td>
<td>Taxpayer may bring a civil action for damages against officer or employee</td>
</tr>
</tbody>
</table>

*FTI received via an ISIR in 2024-25 FAFSA cycle is considered FTI data*
RESOURCES
RESOURCES

• **2024–25 FAFSA Specifications Guide, Volume 4** – Record Layouts and Processing Codes in PDF Format, 190 Pages, 2MB

• **IRS Publication 1075** – Tax Information Security Guidelines

• **EA ID: GENERAL-23-09** – Updates to Gramm-Leach-Bliley Act Cybersecurity Requirements

• **EA ID: General-23-34** – Access and Use of Federal Tax Information (FTI) for Federal Student Aid Programs Beginning with the 2024-25 FAFSA Processing Cycle

• **EA ID: GENERAL-23-40** – SAIG Software Upgrade for FTI Data Transmission – Preliminary Information for SAIG Software Users

• **NIST Special Publication 800-171** – Protecting Controlled Unclassified Information in Nonfederal Systems and Organizations
KNOWLEDGE CENTER

**FAFSA Simplification Information**

Get the most up-to-date information on implementation in the Knowledge Center “Topics” section.

Subscribe for email updates at Knowledge Center Home!
Join us as we discuss changes to the 2024–25 ISIR resulting from updates to FAFSA® form questions and processing changes.

For a complete list of upcoming webinars, visit the FSA Training Center.
https://www.surveymonkey.com/r/WWFTI

Survey open until June 8, 2024
HAVE MORE QUESTIONS?

You may submit questions not answered during today’s webinar on the FSA Training Center’s FAFSA Simplification Training and Resources page.

We will address as many submitted questions as possible during our dedicated Q&A webinars on June 20 and July 13.
FTI PROTECTOR

Download Your Badge on the FSA Training Center

Show your professionalism, understanding and commitment to the importance of guarding Federal Tax Information by adding a badge to your email signature.

As a reward for completing this FTI Training, this credential shows others you are a proud protector of Federal Tax Information and Student Privacy.