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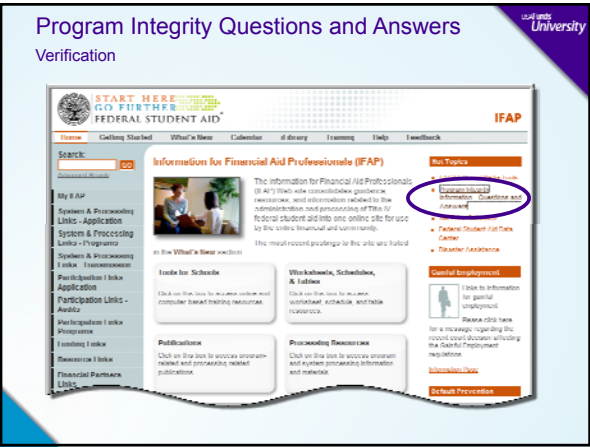
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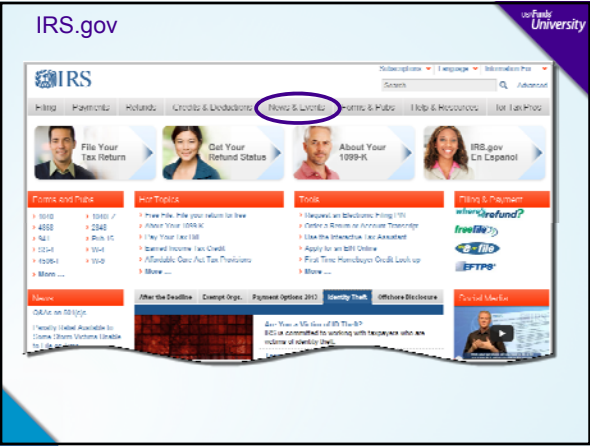
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### Agenda

- ♦ Required Verification Items.
- ♦ Customized Verification Process.
- ♦ Acceptable Documentation.
- ♦ IRS Tax Transcripts.
- ♦ Comparison of Tax Return and Tax Transcript Data.

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### 2013-2014 Required Verification Items

#### Non-income related items for certain applicants selected for verification:

- Household size.
- Number in college.
- Child support paid.
- SNAP.
- High school completion.
- Identity/educational purpose.

Yes **Was or will a federal income tax return be filed?** No

#### Additional required items:

- Adjusted gross income.
- U.S tax paid.
- Untaxed IRA distributions.
- Untaxed pensions.
- Education credits.
- IRA deductions.
- Tax-exempt interest income.

#### Additional required item:

- Income earned from work.

1.  
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Customized Verification Process

Verification Tracking Groups and Required Information

- Applicants selected for verification will be categorized into groups and identified by Verification Tracking Flags.

Verification Tracking Flag	Group Name
V1	Standard
V2	SNAP Verification Group
V3	Child Support Paid Verification Group
V4	Custom Verification Group
V5	Aggregate Verification Group

Customized Verification Process

Summary of Tracking Group Requirements

Required to be Verified	Verification Tracking Group				
	V1	V2	V3	V4	V5
Household size	X				X
Number in college	X				X
Child support paid	X		X	X	X
SNAP (Food Stamps)	X	X		X	X
High school completion				X	X
Identity/educational purpose				X	X
Income/tax data	X				X

Customized Verification Process

Verification Flag and Verification Tracking Flag

- The Verification Tracking Flag helps schools determine which data elements must be verified.
  - Flag as it appears on the ISIR:
- Flag as it appears on FAAAccess to CPS Online:

FAA INFORMATION

FAA ISIR Received

Verification Flag

Professional Judgment

Transaction Receipt Date

Regenerating Code

Processed Record Type

CPS Pushed ISIR Flag

XXXXXXXXXX

XXXXXXXXXX

XXXXXXXXXX

XXXXXXXXXX

XXXXXXXXXX

XXXXXXXXXX

FAA Access to CPS Online – Student Inquiry

FAA Information

Application Flags

Verification Flag

Verification Tracking Flag

## Agenda

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## Acceptable Documentation

Non-Income Related Items

Non-Tax Filers

Tax Filers Without Special Circumstances

Tax Filers With Special Circumstances

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## Acceptable Documentation

### Non-Income Related Items

Item	Verification Tracking Flag	Acceptable Documentation
Household Size	V1 V2	Signed statement from the applicant (and one parent, if the applicant is dependent) listing the name and age of each household member and the relationship to the applicant. Not required when: • Dependent student lists 2, and parent is single, divorced, separated or widowed. • Dependent student lists 2, and parents are married. • Independent student lists 1, and student is single, divorced, separated or widowed. • Independent student lists 2, and student is married.
Number of Full-time	V1 V2	Signed statement from the applicant (and one parent, if the applicant is dependent) listing the name and age of each household member attending a Title IV eligible school at least half time for the 2013-2014 award year, and the names of the applicable schools. Not required when number in college is 1. <i>If the school believes information from the FAFSA or the signed statement is inaccurate, it must obtain a statement from each listed school unless the household member is not yet registered or will attend the applicant's school.</i>
Child Care	V1 V2	Signed statement from applicant (or parent, if the applicant is dependent) listing: • Name of the individual who paid the support. • Name(s) of the child or children for whom support was paid. • Amount of support paid during the year.

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Acceptable Documentation

Non-Tax Filers

Income Earned from Work

- Copy of W-2 Form for each source of employment; **AND**
- Signed statement applicant has not filed and is not required to file taxes; **AND**
- Signed statement indicating sources and income earned not listed on W-2 Form.

*If applicant is unable to obtain W-2 Form(s), school may accept signed statement listing sources and amounts of income earned from work, and reason W-2 Form(s) not available.*

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Tax Data

What FAAs are Required to Know



- Whether a person was required to file a tax return.
- What the correct filing status for a person should be.
- An individual cannot be claimed as an exemption by more than one person.

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University

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Acceptable Documentation

Tax Filers Without Special Circumstances

AGI	<ul style="list-style-type: none"><li>• No documentation required if tax filer:<ul style="list-style-type: none"><li>– Used Data Retrieval Tool and did not alter data.</li></ul></li><li>• Tax transcript is required if tax filer:<ul style="list-style-type: none"><li>– Did not use DRT; <b>OR</b></li><li>– Used DRT but altered data.</li></ul></li></ul>
U.S. Tax Paid	
Untaxed IRA Distributions	
Untaxed Pensions	
Education Credits	
IRA Deductions	
Tax-Exempt Interest	

University

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### Acceptable Documentation

#### Tax Filers With Special Circumstances

#### Tax Filers Who Filed a Joint Return but Now Are Separated, Divorced, Widowed or Remarried

- ♦ Tax transcript; **AND**
- ♦ W-2 Form(s) if joint-filer no longer is married to individual on the return.
  - Only required for filer whose income was used to calculate the EFC.
  - If self-employed or W-2 form not available, school may accept a signed statement which includes:
    - ♦ Amount and source of income, and reason W-2 form is not available.

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### Acceptable Documentation

#### 2012 W-2 Form

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### Acceptable Documentation

#### Tax Filers With Special Circumstances

#### Tax Filers Granted a Tax Filing Extension by the IRS

- ♦ Copy of IRS Form 4868 or approval of extension longer than six months; **AND**
- ♦ Documentation of income:
  - Copy of W-2 Form(s); **OR**
  - If self-employed, a signed statement certifying AGI and tax paid.

Schools have option of collecting tax data once return is filed. Income information must be re-verified when tax data is received.

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## Acceptable Documentation

Individuals for Whom a Tax Transcript Cannot be Provided or Located

Issue	Acceptable Documentation
Amended Returns	For individuals who filed amended returns, schools must obtain: <ul style="list-style-type: none"> <li>• A signed copy of the IRS Form 1040X that was filed with the IRS; <b>AND</b></li> <li>• A signed copy of the original tax return, original tax data on a tax return freeze rpt, the end of Account Transcript or Return Transcript for Taxpayer.</li> </ul>
Identity Theft	Victims of identity theft may provide schools with the following documentation: <ul style="list-style-type: none"> <li><b>Group A</b> — Victims of identity theft with an IRS Form 14039 must submit both of the following:               <ul style="list-style-type: none"> <li>• A copy of the signed Form 14039 that was submitted to the IRS <b>AND</b></li> <li>• A signed copy of the paper tax return.</li> </ul> </li> <li><b>Group B</b> — Victims of identity theft without an IRS Form 14039 must submit either of the following:               <ul style="list-style-type: none"> <li>• A signed copy of the paper tax return <b>AND</b> a copy of a filed police report <b>OR</b></li> <li>• A signed copy of the paper tax return <b>AND</b> a signed and dated statement that the:                   <ol style="list-style-type: none"> <li>1. tax filer is the victim of identity theft,</li> <li>2. IRS is investigating the matter, and</li> <li>3. tax filer either did not keep a copy of Form 14039 or the IRS did not require the individual to submit the form.</li> </ol> </li> </ul> </li> </ul>

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## Updated Guidance for Remainder of 2013-2014

Electronic Announcement – Oct. 23, 2013

- ♦ Alternative documentation is acceptable if an attempt is unsuccessful to obtain a tax transcript by paper or online.

### If a paper request was made...

School needs a signed copy of each of the following:

- Tax return filed.
- IRS response informing filer the request was unsuccessful.
- Form 4506T-EZ or 4506-T with third party information provided.

### If an online request was made...

School needs a signed copy of each of the following:

- Tax return filed.
- Print screen from official IRS website indicating the request was unsuccessful.
- Form 4506T-EZ or 4506-T with third party information provided.

If school has reason to believe tax return information is inaccurate, Form 4506 must be sent and results received.

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## Acceptable Documentation

Tax Filers With Special Circumstances

- ♦ Amended Returns – Form 1040X:

Use Part III on the back to explain any changes

	A. Original amount or as previously adjusted (see instructions)	B. Net change—amount of increase or decrease—explain in Part III	C. Correct amount
<b>Income and Deductions</b>			
1 Adjusted gross income. If net operating loss (NOL) carryback is included, check box <input type="checkbox"/>			
2 Itemized deductions or standard deduction			
3 Subtract line 2 from line 1			
4 Exemptions. If changing, complete Part I on page 2 and enter the amount from line 30			
5 Taxable income. Subtract line 4 from line 3			
<b>Tax Liability</b>			
6 Tax. Enter method used to figure tax			
7 Credits. If general business credit carryback is included, check box <input type="checkbox"/>			
8 Subtract line 7 from line 6. If the result is zero or less, enter 0			
9 Other taxes			
10 Total tax. Add lines 8 and 9			
<b>Payments</b>			
11 Federal income tax withheld and excess social security and tier 1 RRTA tax withheld (if changing, see instructions). Including amount applied from previous year			

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IRS Tax Transcripts

- ♦ Tax Return Transcript:
  - Provides most line items found on a tax return.
  - Does not reflect changes made after filing.
- ♦ Tax Account Transcript:
  - Provides information on financial status.
  - Reflects changes made after filing.



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IRS Tax Transcripts

Requesting Tax Transcripts

Request Method	Where?	Tax Transcript Output Document			
		What?	How?	When?	Direct to Third Party?
Online	<a href="http://www.irs.gov">www.irs.gov</a>	Paper	Mailed	5-10 days	No
Telephone	(800) 908-9946	Paper	Mailed	5-10 days	No
IRS2Go Mobile App	<a href="http://www.irs.gov">www.irs.gov</a>	Paper	Mailed	5-10 days	No
IRS Form 4506T-EZ	<a href="http://www.irs.gov/pub/irs-pdf/f4506tez.pdf">www.irs.gov/pub/irs-pdf/f4506tez.pdf</a>	Paper	Mailed	5-10 days	Yes

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### Guidance

Receipt of Unaltered Tax Data and a Tax Transcript

- When a school receives both unaltered tax data and a tax return transcript from an applicant:
  - All corrections must be made if any item on the tax transcript differs by \$25 or more from the amount reported on the FAFSA.



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### Agenda

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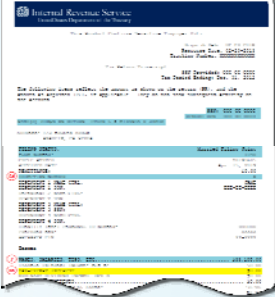
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### Comparison of 2012 Tax Return and Tax Transcript Data

- Hunter Davis:
  - IRS Form 1040EZ.
  - Tax transcript.
- Elizabeth Moore:
  - IRS Form 1040A.
  - Tax transcript.
- Ethan and Miranda James:
  - IRS Form 1040.
  - Tax transcript.



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## Comparison of 2012 Tax Return and Tax Transcript Data

Blue Items to review for potential conflicting information.

## Challenges with Tax Transcripts

Potential Conflicting Information – Wages Earned

## Challenges with Tax Transcripts

Potential Conflicting Information – Wages Earned

## Challenges with Tax Transcripts

Potential Conflicting Information – HSAs

Adjustments to Income	
EDUCATOR EXPENSES:	
EDUCATOR EXPENSES PER COMPUTER:	\$0.00
RESEVIST AND OTHER BUSINESS EXPENSE:	\$0.00
(25) HEALTH SAVINGS ACCT DEDUCTION PER COMPUTER:	\$0.00
SELF EMPLOYMENT TAX DEDUCTION:	\$47.00
SELF EMPLOYMENT TAX DEDUCTION PER COMPUTER:	\$47.00

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## Challenges with Tax Transcripts

Potential Conflicting Information – Eligible to File a 1040/EZ?

## 2012 Federal Tax Return: Eligible to File a 1040A/EZ?

If you have filed or will file a 1040, were you eligible to file a 1040A or 1040EZ? (2013-2014 FAFSA questions J4 and J1.)

YES IF taxable income from line 43 is less than \$100,000 AND IF amounts (other than zero) do not appear on the following lines:

1040 Section	Line #	Description
Income	10	Taxable refunds, credits or offsets of state and local income taxes.
	11	Alimony received.
	12	Business income or loss.
	13	Capital gains or loss (ignore if % include-13 was not required).
	14	Other gains or losses.
	17	Rental real estate, royalties, partnerships, etc.
	18	Farm income or loss.
Adjusted Gross Income	21	Other income.
	24	Certain business expenses of reservists, performing artists, and fee-basis government officials.
	25	Health savings account deduction.
	26	Moving expenses.
	27	Deductible part of self-employment tax.
	28	Self-employed SEP, SIMPLE and qualified plans.
	29	Self-employed health insurance deduction.

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## Challenges with Tax Transcripts

Potential Conflicting Information – Eligible to File a 1040A/EZ?

WAGES, SALARIES, TIPS, ETC:	\$33,108.00
TAXABLE INTEREST INCOME: SCH B:	\$0.00
TAX-EXEMPT INTEREST:	\$0.00
ORDINARY DIVIDEND INCOME: SCH B:	\$0.00
QUALIFIED DIVIDENDS:	\$0.00
(10) REFUNDS OF STATE/LOCAL TAXES:	\$0.00
(11) ALIMONY RECEIVED:	\$0.00
(12) BUSINESS INCOME OR LOSS: SCH C PER COMPUTER:	\$448.00
(13) CAPITAL GAINS OR LOSS: SCH D PER COMPUTER:	\$0.00
(14) OTHER GAINS OR LOSSES: (Lines 47-53):	\$0.00
TOTAL IRA DISTRIBUTIONS:	\$0.00
TAXABLE IRA DISTRIBUTIONS:	\$4,473.00
TOTAL PENSIONS AND ANNUITIES:	\$0.00
TAXABLE PENSION/ANNUITY AMOUNT:	\$0.00
(17) RENT/ROYALTY/PARTNERSHIP/ESTATE (Schedule E) PER COMPUTER:	\$0.00
RENT/ROYALTY INCOME/LOSS PER COMPUTER:	\$0.00
ESTATE/TRUST INCOME/LOSS PER COMPUTER:	\$0.00
PARTNERSHIP/S-CORP INCOME/LOSS PER COMPUTER:	\$0.00
(18) FARM INCOME OR LOSS (Schedule F) PER COMPUTER:	\$0.00
UNEMPLOYMENT COMPENSATION:	\$7,430.00
TOTAL SOCIAL SECURITY BENEFITS:	\$0.00

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### Challenges with Tax Transcripts

#### Taxable Scholarship and Fellowship Income

**FILING STATUS:** Single  
**FORM NUMBER:** 1040ES  
**CYCLE POSTED:** 20120000  
**RECEIVED DATE:** Apr. 10, 2013  
**EXEMPTION NUMBER:** 00.00

② **IDENTIFY TRUST PERSONAL ID NUMBER:** 000000  
**PROPRIETOR EFIN:**  
**DEBITER EFIN:**

**INCOME**

① **WAGES, SALARIES, TIPS, ETC.** \$7,000.00  
**UNEMPLOYMENT COMPENSATION** \$0.00  
**TAX-EXEMPT INTEREST** \$0.00  
**UNEMPLOYMENT COMPENSATION** \$0.00

**Adjustments to Income**

④ **ADJUSTED GROSS INCOME PER COMPUTER** \$7,000.00  
**ADJUSTED GROSS INCOME** \$7,000.00

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### Challenges with Tax Transcripts

#### Rollovers

♦ Form 1040:

12	Business income or (loss). Attach Schedule C or C-EZ	12	668.00
13	Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/>	13	
14	Other gains or (losses). Attach Form 4797	14	
15a	IRA distributions	15a	6,473.00
15b	Penalties and annuities	15b	
16	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	16	
17	Farm income or (loss). Attach Schedule F	17	
18	Unemployment compensation	18	7,430.00
19	Social security benefits	19	
20a	Other income. List type and amount	20a	
21	Combine the amounts in the far right column for lines 7 through 21. This is your total income	21	45,679.00

♦ Tax transcript:

15a-15b	TOTAL IRA DISTRIBUTIONS	66,473.00
16a-16b	TOTAL PENSION AND ANNUITIES	20.00
	TOTAL PENSION/ANNUITY AMOUNT	20.00
	RENT/ROYALTY/PARTNERSHIP/ESTATE (Schedule E)	20.00

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