Advanced Verification **Presenters: Cindy Farrell Cheryl Gerber** We Are All Super Heroes **2019 PASFAA Spring Training**

This presentation is being used with permission from Tonya Hsiung, Senior Assistant Director of Financial Aid, Franklin & Marshall College

Original Presentation was titled "Verification: Beyond the Basics" and was presented at the Fall 2018 PASFAA Conference



We Are All Super Heroes 2019 PASFAA Spring Training

Per the FSA Handbook AVG - 96

Further Verification?

Sometimes schools ask if further verification is needed to resolve discrepancies between the ISIR and what the student provided for verification. The answer is no, unless you have reason to doubt the accuracy of the verification information. Acceptable documentation either confirms that an item was right on the ISIR, or it is used to correct that item. That is the purpose of verification; continued fact-finding is not necessary.

From FSA Assessment Activities Resolving Conflicting Data Last updated June, 2016

Examples of good practices for resolving "Conflicting Data"

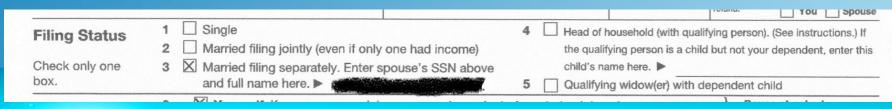
- Review assets reported on the FAFSA to determine, if applicable, that the information report matches the provided U.S. Income Tax Return. For example, if the assets on the FAFSA are \$0 or low but significant interest and dividend income or capital gains are reported on the U.S. Income Tax Return.
- Review to determine if the student or parents reported business/farm net worth but didn't file a schedule C or Form 1120 (corporate income taxes) or just didn't supply it to the school (Your institution may want to consider requesting additional documentation from the student or parent).

Documents to Collect

- Federal Tax Return Form 1040, 1040A, 1040EZ
- Schedules
 - A Itemized Deductions
 - B Interest and Ordinary Dividends
 - C Business Income (Sole Proprietorship)
 - D Capital Gains and Losses
 - E Supplemental Income and Loss (Rental, Partnership, S-Corporation)
 - F Profit or Loss from Farming
 - K-1 for Income from Investments in a Partnership and S-Corporation
- W-2 forms
- 1099 Forms
 - 1099-MISC miscellaneous income
 - 1099-R Distributions from Pensions, Annuities, Retirement, or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.
 - SSA-1099 Social Security Benefits
- Form 8825 Rental Real Estate Partnership Form
- Form 1065 Partnership Return
- Form 1120S S- Corporation Return

Tax Filing Status

- Single Line 1
- Married, Filing Jointly Line 2
- Married, Filing Separately Line 3
- Head of Household Line 4
- Qualifying Widower with dependent child –
 Line 5



Interest and Dividend Income Lines 8a, b & 9a, b & Schedules A & B

	o Total number of exemptions claimed	7	7-2-1
Income	Taxable interest. Attach Schedule B if requi		567.
Attach Form(s) W-2 here. Also attach Forms	 Tax-exempt interest. Do not include on line Ordinary dividends. Attach Schedule B if red Qualified dividends 		1,207.
W-2G and 1099-R if tax	 Taxable refunds, credits, or offsets of state 	and local income taxes	
was withheld.	1 Alimony received	40	
	 Rusiness income or (loss). Attach Schedule 	e C or C-EZ 12	

- Did they report assets?
- How much in assets did they report?
- From where is the interest earned?
- From where are the dividends earned?

Schedule B

OHEDULE B orm 1040A or 10 partment of the Treasu ernal Revenue Service ume(s) shown on return		Interest and Ordinary Dividends ► Attach to Form 1040A or 1040. ► Information about Schedule B and its instructions is at www.lrs.gov/scheduleb.	Your s	Attachment Sequence No. 08
			4	11 0000
art I nterest		List name of payer. If any interest is from a seller-financed mortgage and the buyer used the property as a personal residence, see instructions and list this interest first. Also, show that buyer's social security number and address	-	143 424
	-		1	
lote: If you ecceived a Form 099-INT, orm 1099-OID, r substitute tatement from brokerage firm, at the firm's arne as the ayer and enter				
ne total interest hown on that	2	Add the amounts on line 1	2	567
orm.	3	Excludable interest on series EE and I U.S. savings bonds issued after 1989.		
		Attach Form 8815	3	567
		Subtract line 3 from line 2. Enter the result here and on Form 1040A, or Form 1040, line 8a	4	Amount
		e: If line 4 is over \$1,500, you must complete Part III.	+	Amount
Part II Ordinary	5	List name of payer	-	1,002
Dividends				
Note: If you eceived a Form 099-DIV or substitute statement from a brokerage firm, st the firm's			5	
name as the payer and enter he ordinary dividends shown on that form.		Add the amounts on line 5. Enter the total here and on Form 1040A, or Form 1040, line 9a	_ _ _ _ 6	1,207

- Is the interest earned from Savings Bonds that were cashed in?
- Is the interest earned from a family trust?
- Are the dividends earned from investments in stocks/bonds?
- Are the dividends from their own companies?
- Are the dividends from family trusts?

Business Income – Sole Proprietorship Line 12 & Schedule C

D	SCHEDULE C Form 1040) epartment of the Treasury Iternal Revenue Service (99)	rmation a	(Sole Pro about Schedule C and its sen	From Business prietorship) arate instructions is at www.irs.go partnerships generally must file Fo	v/schedule	Auachment
N	ame of proprietor		oim 1040, 1040l4H, 01 1041; [partnerships generally must file Fo		Sequence No. (curity number (SSN)
T A	Dring at house	1			occiai se	curty number (SSN)
9	Principal business or profession	, includir	g product or service (see instru	ictions)	B Enter o	code from instruction
C	Business name. If no separate to					561110
d	tribusiness marie. Il no separate t	usiness	name, leave blank.		D Employ	er ID no. (EIN), (see ins
E	Business address (including suit	e or roor	n nn)			
_	City, town or post office, state, a	nd ZIP o	ode de			
F	Accounting method: (1)	Cash	(2) Accrual (3) O	Other (specify)		
G	Did you "materially participate" in	the ope	ration of this husiness during a	01E2 H "No " !	on leases	О., П
Н						
'.	ord you make any payments in a	2015 that	WOUld require you to file Form/	0) 10000 (! ! ' '		
J	ii res, did you or will you lile re	equired F	orms 1099?	s) 10997 (see instructions)		······ Yes
-						103
'	Form W-2 and the "Ct."	tructions	for line 1 and check the box if t	this income was reported to you on		
2	rollil vv-2 and the Statutory er	mplovee"	box on that form was checked	. П	1	13,59
3	Subtract line 2 from line 1				2	
4	Cost of goods sold (from line 42)			3	13,59
5	Gross profit. Subtract line 4 fro	m line 3			4	
6	Other income, including federal	and state	gasoline or fuel tay credit or re-	fund (one instructions)	5	13,59
7	Gross income. Add lines 5 and	6			6	
Ρ	Expenses. Enter ex	penses fo	r business use of your home	only on line 30	7	13.54
0	Advertising	8	18		19	1 ^ 4
9	Car and truck expenses		19	- man authorized (peed in 1911 define) 19)	19	1,84
	(occ manuchons)	9	4,208 2	Repror lease mstructions):	N M	
0	Commissions and fees	10	U.	a machinery, and equipment	20a	
1	Contract labor (see instructions)	11		b Other business property	20b	
7/	Depletion Depreciation and section 179	12	21	Repairs and maintenance	21	21
	expense deduction (not	-		Supplies (not included in Part III)	22	200
	included in Part III) (see instr.)	40	2	Taxes and licenses	22	201
1	Employee benefit programs	13	296 2	Travel, meals, and enterment:		
	(other than on line 19)	14		2 Travel		
	mourance tomer man nearm	15		b Deductible meals and		
3	Interest:	13		entertainment (see instructions)	24b	482
a	Mortgage (paid to banks, etc.)	16a	2	Wages (less employment credits)	00	
	Other	16b		a Other expenses (from line 48)	26 27a	0.00
_	Legal and professional services	17	75	h Reserved for future use	27b	37.
1	Total expenses before expenses	for busi	ness use of home. Add lines 8 t	through 27a	28	7,936
	remauve profit or (loss). Subtract	line 28 fr	om line 7		29	5,661
	Expenses for business use of you	r home.	Do not report these expenses el	Isewhere. Attach Form 8829		5,001
	unless using the simplified metho-	d (see in:	structions)			
	Simplified method filers only: e	nter the t	otal square footage of: (a) your	home:		
	and (b) the part of your home use	d for bus	iness:	. Use the Simplified		
	Method Worksheet in the instructi Net profit or (loss). Subtract line	ons to fig	ure the amount to enter on line	30	30	5,653
	If a profit, enter on both Form	1040 He	0 12 /or Form 1040ND "	, , , , , , , , , , , , , , , , , , ,		
	(If you checked the box on line 1,	see instr	ctions) Estates and trusts) and on Schedule SE, line 2.		
	 If a loss, you must go to line 3. 	2.	coons, estates and trusts, enti-	er on Form 1041, line 3.	31	8
	If you have a loss, check the box	that desc	ribes your investment in this act	tivity (see instructions)		
	If you checked 32a, enter the k	oss on bo	th Form 1040, line 12, for For	rm 1040NP line 13) and	32а П дп	
	on Schedule SE, line 2. (If you cl	necked th	e box on line 1, see the line 31	instructions).	H	investment is at risk. me investment is not
	Estates and trusts, enter on Form	1041, lir	e 3.			me investment is not risk,
		700 700 700	rm 6198. Your loss may be lim		att	ion.

- What items do you look for in a business?
 - Car/TruckExpenses
 - Depreciation
 - Meals & Entertainment
 - _ Wages to family members?

Other Business Write-Offs

	Method(s) used to		substance consumer and the consumer
	value closing inventory: a Cost b Lower of cost or market c 0	ther (a	ttach explanation)
34	Was there any change in determining quantities, costs, or valuations between opening and closing inventory?		
	If "Yes," attach explanation		Yes
35	Inventory at beginning of year. If different from last year's closing inventory, attach explanation	35	
36	Purchases less cost of items withdrawn for personal use	36	
37	Cost of labor. Do not include any amounts paid to yourself	37	
38	Materials and supplies	38	
39	Other costs	39	
40	Add lines 35 through 39	40	
41	Inventory at end of year	41	
42	Cost of goods sold. Subtract line 41 from line 40. Enter the result here and on line 4	42	
	IV Information on Your Vehicle. Complete this part only if you are claiming car or truck		enses on line 9 a
	are not required to file Form 4562 for this business. See the instructions for line 13 to Form 4562.		
43	When did you place your vehicle in service for business purposes? (month, day, year) 01/01/15		
44	Of the total number of miles you drove your vehicle during 2015, enter the number of miles you used your vehicle for:		
a	Business 6,000 b Commuting c Other		32,
45	Was your vehicle available for personal use during off-duty hours?		X Yo
46	Do you (or your spouse) have another vehicle available for personal use?		X Yes
100			
	Do you have evidence to support your deduction?		
	If "Yes," is the evidence written?		X Yes
r ar	V Other Evnenges Liet holes business evnenges not included times 9.26 or line 20		X Yes
	V Other Expenses. List below business expenses not included an lines 8-26 or line 30.		X ves
DUE			X
-			7!
LIC	s		75
LIC	S ENSE FEES		7! 3'
LIC PUB POS	S ENSE FEES LICATIONS		7! 3' 68
LIC PUB POS LIN	ENSE FEES LICATIONS TAGE		7! 3' 6!
LIC PUB POS LIN	ENSE FEES LICATIONS TAGE KED-IN		7! 3' 68 1!
LIC PUB POS LIN EDU	ENSE FEES LICATIONS TAGE KED-IN		7! 3' 68 1! 1'
PUB POS LIN EDU MEE	ENSE FEES LICATIONS TAGE KED-IN CATION TINGS		7: 3; 6; 1: 1: 1,00
PUB POS LIN EDU MEE	ENSE FEES LICATIONS TAGE KED-IN CATION TINGS LULAR TELEPHONE		7! 3' 6! 1! 6
PUB POS LIN EDU MEE	ENSE FEES LICATIONS TAGE KED-IN CATION TINGS LULAR TELEPHONE	48	75 37 68 15 17 12 1,00 2,25

 Other expenses from Business – do you remove any of these items?

Capital Gains

For the year Jan, 1 - Dec	U.S. Individual Income Tax Re 31, 2015, or other tax year beginning , 2015,	ending	, 20	Use Only — Do not write or staple in this sp See separate instructions.
Your first name and initia		st name		Your social security number
MARON M ABK				2 7 - 49 - 90 / 6
If a joint return, spouse's	first name and initial La	st name		Spouse's social security number
Hama address formbar a	nd street). If you have a P.O. box, see instructions.		Apt. no.	
Home address (number a	The street of th		ega. no.	Make sure the SSN(s) abo and on line 6c are correct
City, town or post office,	state, and ZIP code. If you have a foreign address, also compl	ete spaces below (see instr	uctions).	Presidential Election Campaig
REISTERSTOW	, MD 21136-5530			Check here if you, or your spouse if filing
Foreign country name	Foreign	province/state/county	Foreign postal code	jointly, want \$3 to go to this fund. Checkin a box below will not change your tax or
denied granted a	W		Head of boundhold (refund. You Spouse with qualifying person). (See
Filing Status	1 X Single 2 Married filing jointly (even if only one had inco	4 _	instructions.) If the	ualifying person is a child
	3 Married filing separately. Enter spouse's SSN		name here.	ent, enter this child's
Check only one box.	name here >	5		with dependent child
Exemptions	6a Yourself. If someone can claim you	as a dependent, do		Boxes checked
Exemptions	b Spouse			on 6a and 6b No. of children
	c Dependents:	(2) Dependent's social security	(3) Dependent's relationship	child under age 17 elived with you
		number	to you	age 17 with you
	(1) First name Last name			(see instructions) due to divorce
If more than four	-	-		or separation (see instructions).
dependents, see instructions and		+		Dependents on 6c not
check here				entered above. Add numbers
	d Total number of exemptions claimed			on lines b
W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld. If you did not	b Qualified dividends. Taxable refunds, credits, or offsets of statements of the Alimony received. Business income or (loss) Attach School.	ate and local income	taxes	11 12
get a W-2, see instructions.	 Capital gain of (loss). Attach Scriedule D if required Other gains or (losses). Attach Form 479 			13 2,00
see msuucuons.	15 a IDA distributions 15 a		avable amount	15h
				[[6b]
	16a Pensions and annuities [16a]		axable amount	
_	17 Rental real estate, royalties, partnership:	s, S corporations, tru	ists, etc. Attach Sched	lule E. 17
_	17 Rental real estate, royalties, partnership.18 Farm income or (loss). Attach Schedule	s, S corporations, tru	sts, etc. Attach Scheo	fule E. 17 18
	17 Rental real estate, royalties, partnership: 18 Farm income or (loss). Attach Schedule 19 Unemployment compensation	s, S corporations, tru Fb T	sts, etc. Attach Scheo	lule E. 17 18 19 20b
	17 Rental real estate, royalties, partnership: 18 Farm income or (loss). Attach Schedule 19 Unemployment compensation. 20 a Social security benefits	s, S corporations, tru Fb T	asts, etc. Attach Sched	17 18 19 20b 21
-	17 Rental real estate, royalties, partnership: 18 Farm income or (oss), Attach Schedule 19 Unemployment compensation	s, S corporations, tru Fb T b T as 7 through 21. This is yo	asts, etc. Attach Sched	17 18 19 20b 21
	17 Rental real estate, royalties, partnership: 18 Farm income or (loss). Attach Schedule 19 Unemployment compensation. 20 a Social security benefits. [20 a] 21 Other income. List type and amount 22 Combine the amounts in the far right column for lin 23 Educator expenses. 24 Certain bisuiness expenses of reservists, performing	s, S corporations, tru Fb T b T as 7 through 21. This is you artists, and fee-basis	axable amountur total income	17 18 19 20b 21
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Gross	17 Rental real estate, royalties, partnership: 18 Farm income or (loss). Altach Schedule 19 Unemployment compensation. 20 a Social security benefits. 21 Other income. List type and amount 22 Combine the amounts in the far right column for line 23 Educatio expenses. 24 Certain business expenses of reservists, performing government officials. Attach Form 2106 or 2106-82. 25 Health savings account deduction. Attact 26 Moving expenses. Attach Form 3903. 27 Deductible part of self-employed SEP, SIMPLE, and qualifit 29 Self-employed SEP, SIMPLE, and qualifit 29 Self-employed SeP, SIMPLE, and qualifit 29 Self-employed health insurance deductio 30 Penalty on early withdrawal of savings. 31 a Alimony paid b Recipert's SSN.	s, S corporations, Irr. B T b T ss 7 through 21. This is ye artists, and fee-basis Form 8889. studie SE. ed plans.	axable amount	10ule E. 17
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Capital Gains (Losses) Line 13 & Schedule D

	m 1040)		Capital Gains a				2015
Depar	rtment of the Treasury all Revenue Service (99)	► Information about Sch	hedule D and its separate inst	ructions is at www.irs.gov		Al	ttachment equence No. 12
Name	s(s) shown on return				Yo	ur social se	ecurity number
Par	rt I Short-Term C	Capital Gains and Lo	osses – Assets He	eld One Year or Le	ess		
ente	instructions for how to for on the lines below. form may be easier to dents to whole dollars.	Secure Company and Company Com	(d) Proceeds (sales price)	(e) Cost (or other basis)	(g) Adjustments to gain or loss fro Form(s) 8949, Pa line 2, column (om art I,	h) Gain or (los Subtract column (e from column (d) ar ombine the result w column (g)
_	Totals for all short-term to n Form 1099-B for which to the IRS and for which adjustments (see instru However, if you choose transactions on Form 8 blank and go to line 1b	transactions reported th basis was reported th you have no uctions). to to report all those 1949, leave this line	9,161.	10,427.	ind E, dollarin		-1, 2
1b	Totals for all transaction Form(s) 8949 with Box	ns reported A checked					
-	Totals for all transaction Form(s) 8949 with Box	ns reported on					
	Totals for all transaction Form(s) 8949 with Box						
7	Short-term capital loss Worksheet in the instru Net short-term capital ga capital gains or losses,	(loss) from partnerships, carryover. Enter the amo actions	ount, if any, from line 8 1a through 6 in column erwise, go to Part III or	of your Capital Loss (h). If you have any lon the back	Carryover g-term	6	-1,7
7 Par See enter	Short-term capital loss Worksheet in the instru Net short-term capital gacapital gains or losses, LII Long-Term C instructions for how to from the lines below.	carryover. Enter the amountions. ain or (loss). Combine lines go to Part II below. Othe Capital Gains and Lo figure the amounts to	ount, if any, from line 8 1a through 6 in column erwise, go to Part III or	of your Capital Loss (h). If you have any lon the back	g-term Year Adjustments to gain or loss fro	6 7	h) Gain r (los Subtract Jumn (e from colonn (d) an ombina ne result w
Par See enter This off co	Short-term capital loss Worksheet in the instru Net short-term capital ga capital gains or losses, till Long-Term C instructions for how to f on the lines below. form may be easier to ents to whole dollars. Totals for all long-term or Form 1099-8 for which to the IRS and for which adjustments (see instructive or companies).	carryover. Enter the amountains, and roless. Combine lines go to Part II below. Othe Capital Gains and Lo figure the amounts to complete if you round transactions reported h basis was reported h by you have no colons. However, all	ount, if any, from line 8 1a through 6 in column rwise, go to Part III or passes — Assets He (d) Proceeds	(h). If you have any lon the back	g-term Year (g) Adjustments	6 7	h) Gain (los Subtract Jumn (e from colonn (d) an
Par See enter This off co	Short-term capital loss Worksheet in the instru- Net short-term capital ga- capital gains or losses, I Long-Term C instructions for how to f or on the lines below. form may be easier to ents to whole dollars. Totals for all long-term on Form 1099-B for which to the IRS and for which adjustments (see instru f you choose to report on Form 8949, leave this line 8b.	carryover. Enter the amountains, and roless). Combine lines go to Part II below. Other capital Gains and Lo liquer the amounts to complete if you round transactions reported h basis was reported hy our have no ciclons). However, all sees unanaccons is lie blank and go	ount, if any, from line 8 1a through 6 in column rwise, go to Part III or passes — Assets He (d) Proceeds	(h). If you have any lon the back	g-term Year Adjustments to gain or loss fro	6 7	h) Gain t (los Subtract Jumn (e from comm (d) an ornbing me result w Jumn (g)
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- From where isthe gain/loss
 - Home
 - Stocks / investments
 - Short term vs.long term
- Is this a one-time gain?

Capital Gains – Professional Judgment

Attach Form(s)	9a	Ordinary dividends, Atta	ach Schedule B if required	1	9a	
W-2 here. Also attach Forms	b	The continues of the second of		The second secon		
W-2G and	10	Taxable refunds, credits	s, or offsets of state and le	ocal income taxes :	10	
1099-R if tax	11	Alimony received			11	
was withheld.	12	Business income or (los	ss). Attach Schedule C or	C-EZ	12	
	13	Capital gain or (loss). At	ttach Schedule D if require	ed. If not required, check here 🕨 🔲	13	5,400.
If you did not	14	Other gains or (losses).	Attach Form 4797		14	
get a W-2, see instructions.	15a	IRA distributions .	15a	b Taxable amount	15b	
see manuchons.	16a	Pensions and annuities	16a	b Taxable amount	16b	
					444	7 711

ines	instructions for how to figure the amounts to enter on the below.	(d) Proceeds	(e) Cost	(g) Adjustments to gain or loss fro	(h) Gain or (loss) Subtract column (d) from column (d) and
This vhol	form may be easier to complete if you round off cents to e dollars.	(sales price)	(or other basis)	Form(s) 8949, Part line 2, column (g)	II, combine the esult with
8a	Totals for all long-term transactions reported on Form 1099-B for which basis was reported to the IRS and for which you have no adjustments (see instructions). However, if you choose to report all these transactions on Form 8949, leave this line blank and go to line 8b.			/	
8b	Totals for all transactions reported on Form(s) 8949 with Box D checked				
9	Totals for all transactions reported on Form(s) 8949 with Box E checked				
	Totals for all transactions reported on Form(s) 8949 with Box F checked	58,000.	52,600.		5,400.
11	Gain from Form 4797, Part I; long-term gain from Forms from Forms 4684, 6781, and 8824		and long-term ga	in or (loss)	1
12	Net long-term gain or (loss) from partnerships, S corporat	ions, estates, and	I trusts from Sche	dule(s) K-1 1	2
13	Capital gain distributions. See the instructions			1	3
	Long-term capital loss carryover. Enter the amount, if any Worksheet in the instructions			1	4 (
15	Net long-term capital gain or (loss). Combine lines 8a the back			o Part III on	5,400.

- How much were the proceeds?
- Where did the proceeds go?
- Form 4797
 Sales of
 Business
 Property may
 show more
 information

IRA Distributions and Pension/Annuities Lines 15a, 15b and 16a, 16b

- Questions to ask:
 - Where are the figures located in column "a" or the taxable column "b"?

If you did not get a W-2,	11	Other gains or (locas). Attach Form 4707	14	
see instructions.	15a	IRA distributions 15a b Taxable amount	15b	
	16a	Pensions and annuities 16a 90,671. b Taxable amount	16b	0.
•	17	Rental real estate, royantes, partnerships, 5 corporations, trusts, etc. Attach Schedule E	17	•
	18	Farm income or (loss). Attach Schedule F	18	
	19	Unemployment compensation	19	

- Do you have the tax return or just the transcript or IRS DRT?
 - Is "ROLLOVER" written on the tax return?
 - If you only have the transcript or IRS DRT, you do NOT know if this is a rollover...so you MAY get additional documentation (not required, but recommended since this could have a large impact on aid eligibility).

IRA Distributions and Pension/Annuities ROLLOVER - 1099 - R



Acceptable Codes for Rollover:

6: Section 1035 exchange (a tax-free exchange of life insurance, annuity, qualified long-term care insurance, or endowment contracts)

G: Direct rollover of a distribution to a qualified plan

H: Direct rollover of a designated Roth account

IRA Distribution / Pensions and Annuities – Professional Judgment

- Even if "ROLLOVER" is written on the return there may be multiple 1099-R forms and not all may be ROLLOVERS. You should collect ALL.
- What were the funds used for?
 - Get an itemized list
 - Do you pick through the list?
- Is this a one time occurrence?

Rental Real Estate and Royalties Line 17 and Schedule E

- Rental Real Estate will show on Line 17 as a gain or (loss)
- Collect Schedule E for the detail page 1
 - There may be multiple copies of page 1 if they have more than 3 properties

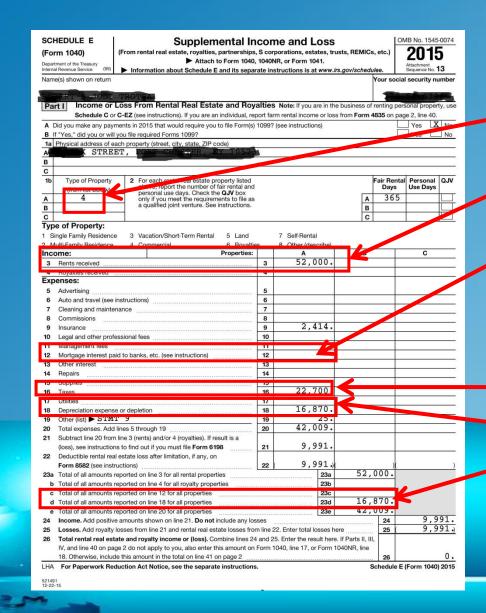
If you did not get a W-2,	14	Other gains or (losses). Attach Form	1 4797		14	
see instructions.	15a	IRA distributions	15a	b Taxable amount	15b	
_	100	Denoione and annuities	100	h Tayabla amayınt	105	
	17	Rental real estate, royalties, partners	ships, S corporations,	trusts, etc. Attach Schedule E	17	32,720.
•	10	rann income or (1055). Attach Sched	uule r		10	
	19	Unemployment compensation			19	
	20a	Social security benefits	20a	b Taxable amount	20b	,
	21	Other income. List type and amount			21	

Schedule E – Rental Real Estate

- Can be from:
 - Single family residence
 - Multi-family residence
 - Vacation/short-term rental
 - Commercial property
 - Land
 - Royalties
 - Self-rental
 - Other



Rental Real Estate



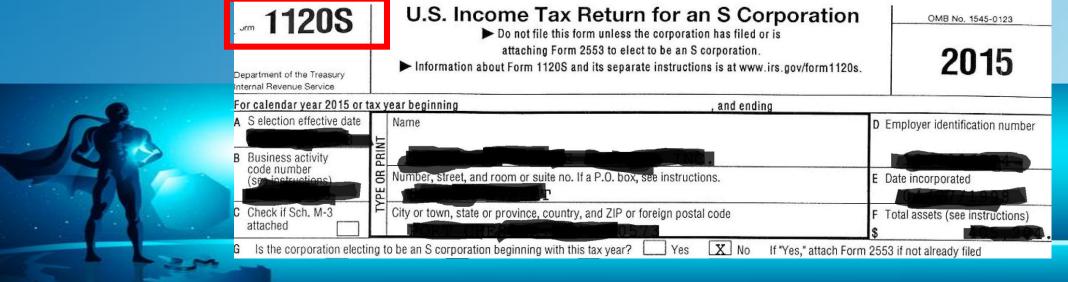
- Type of property
- Rents received
- Mortgage
 interest –
 what is the
 balance of the
 loan?
- Taxes Paid
- Depreciation

Schedule E – Rental Real Estate

- Single Family Residence
 - You can use http://www.zillow.com to value a property
- Multi-family residence
 - Is it the address in which they reside
 - Google Earth helps
 - www.zillow.com
 - Use Taxes and Line 16 of Schedule E to get percentage
- Commercial Properties
 - https://keyvon.com/
 - Google Earth
- Single member Limited Liability Company (LLC) are not treated as a separate entity for federal income tax purposes in most cases. A sole member of a domestic LLC needs to file a Schedule E (or they can elect to treat it as a corporation instead).
 - Why is this important? Because we can no longer assume that all properties listed on Schedule E are automatically personally owned. It is possible they are owned by a corporation the parents own.

Rental Real Estate is a Corporation?

_	tule E (Form 1040) 2015 (s) shown on return. Do not enter name and social security number if shown on page 1.			Attachm	ent Sequence		Page 2
ivairie	(s) shown different. Do not enter hame and social security number if shown on page 1.				1	our social secu	irity number
	PT & TOWNSHAM					10-4	
Cauti	ion. The IRS compares amounts reported on your tax return with amounts sh						-
Pa	rt II Income or Loss From Partnerships and S Co	rporations Not	te: If you rep	ort a loss	from an at	risk activity fo	r which
	any amount is not at risk, you must check column (e) on lin	e 28 and attach F o	orm 6198. Se	ee instruc	tions.	=2	
27	Are you reporting any loss not allowed in a prior year due to the at-risk, exce	ess farm loss, or basi	is limitations, a	prior year	unallowed I	oss from a	
	passive activity (if that loss was not reported on Form 8582), or unreimburs	ed partnership exper	nses?			Yes	X No
	If you answered "Yes," see instructions before completing this section.				2		
28	(a) Name		(b) _{Enter} P _{for} partnership; S	(C) Check if foreign partnership		mployer ition number	(e) Check if any amount is not at risk
Α	The state of the s		S		12-1		
В	TEACHER STONE VENC		S				
С							
D							
	Passive Income and Loss		Nonpa	ssive Inc	come and	066	
	(f) Passive loss allowed (attach Form 8582 if required) (g) Passive income from Schedule K-1	(h) Nonpassive lo		tion 179 ex		(j) Nonpassiv from Sched	
	, and some and the second seco			weeks 100 CH (100 III) II S	secold ISSEC		



Commercial Buildings as Assets?

Per NASFAA Ask Regs: Do You Report the Net Worth of a Commercial Building That the Family Owns and the Family Business Rents?

• **Scenario:** We have a situation where the parents are selfemployed and own a corporation. They are 100% owners and have less than 100 employees, so the net worth of the business itself does not have to reported on the FAFSA. However, the parents own a commercial building that is in their name. The family corporation pays them rent to lease the building.

Answer: The building rented to the business is real estate owned by the parents individually; therefore, it should be reported as an asset on the FAFSA. Additionally, any income or loss from the rental property should have been reported on the parents' tax return using Schedule E and would be reflected in the adjusted gross income (AGI).

See the sidebar on page AVG-18 of the <u>2018-19 FSA</u> <u>Handbook</u> regarding rental properties:

Per the FSA Handbook AVG - 17

- Rental properties are an asset. A unit within a family home that has its own entrance, kitchen, and bath (therefore a rented bedroom would not count) and that is rented to someone other than a family member counts as an asset. To calculate its net value, multiply the net value of the entire structure by the fraction the rented space represents. Similarly, if a family owned a 10-unit apartment building and lived in one of the apartments, 9/10 or 90% of the net value of the building would be an asset.
- At times a student or parent will claim rental property as a business.
 Generally, it must be reported as real estate instead. A rental property would have to be part of a formally recognized business to be reported as such, and it usually would provide additional services like regular cleaning, linen, or maid service.

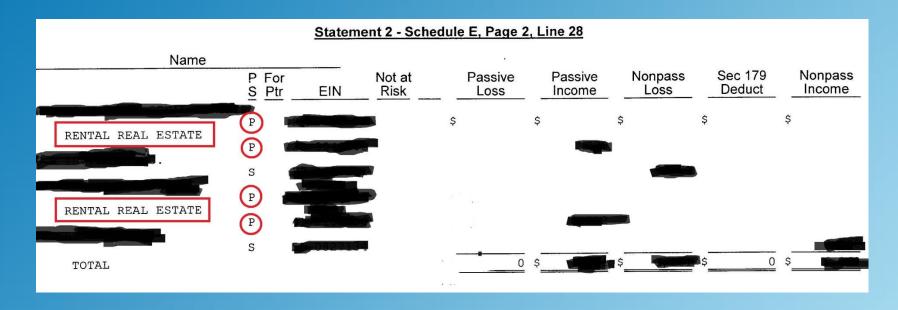
Partnerships Line 17 & Schedule E – Page 2

15a	IKA distributions	15a	b Taxable amount	15b	
16a	Pensions and annuities	16b			
17	Rental real estate, royalties, pa	17	4,180		
18	Farm income or (loss). Attach S			18	
19	Unemployment compensation		***************************************	19	
20a	Social security benefits	20a	b Taxable amount	20b	-
2.3					

Schedule E (Form 1040) 2015			Attachment Sequence No. 13 Page 2			
Name(s) shown on return. Do not enter name and social security number if shown on other side.				Your social security number		
			19			
Caution. The IRS compares amounts	reported on your tax return with amo	unts shown on Schedule(s) K-1				
	From Partnerships and S C			n an at-risk activity	for which	
any amount is not at	risk, you must check the box in colu	mn (e) on line 28 and attach Fo	orm 6198. See ins	structions.		
?7 Are you reporting any loss not allo	wed in a prior-year due to the at-risk,	excess farm loss, or basis limit	tations, a prior ye	ar		
	ivity (if that loss was not reported on	Form 8582), or unreimbursed p	artnership expen		ਹ]	
you answered Tes, see instruction	ons before completing this section.	(b) Enter P fo	or (c) Check if	(d) Employer	X No	
28 Name		partnership; S	foreign	identification number	any amount is not at risk	
SEE STATEMENT	2	ioi 3 corporatio	on partnership	namber	TIOUR HISK	
3				1		
)						
Passive Incon	ne and Loss	No	npassive Incom	e and Loss		
(f) Passive loss allowed (attach Form 8582 if required)	(g) Passive income from Schedule K-1	(h) Nonpassive loss from Schedule K-1	(i) Section 179 deduction from Fe	CONTRACTOR OF THE PARTY OF THE	(j) Nonpassive income from Schedule K-1	
A						
3						
)						
9a Totals b Totals						
O Add columns (g) and (j) of line 2	000		***************************************	30		
31 Add columns (f) (h) and (i) of line 29h				31 (
	pration income or (loss). Combine I	lines 30 and 31. Enter the				
result here and include in the to		777		32		
	From Estates and Trusts					



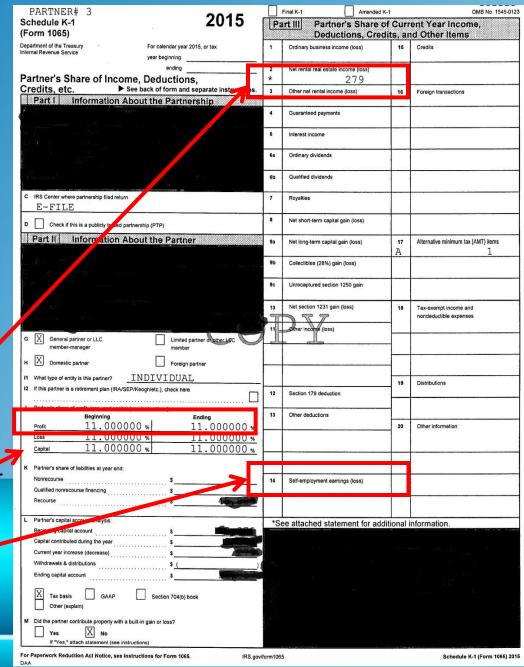
Partnerships Line 17 & Schedule E – Page 2





Partnerships Schedule K-1

- Is the Partnership a Business or Rental Real Estate
 - Look at the Schedule K-1
 - Type of Partnership – Box 2 – net rental real estate income (loss)
 - Percentage of ownership – under Capital Profit
 - Self-employment earnings (add to wages)



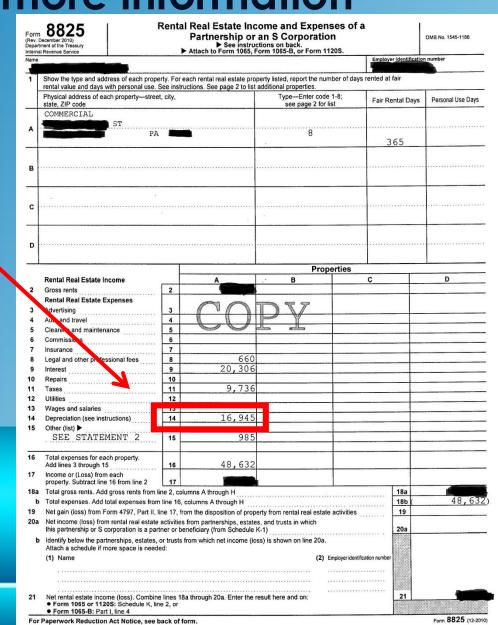
If there is income (loss) in this box, need Form 8825 for more information

The one major thing we look at for all companies and all real estate is DEPRECIATION

- Depreciation is considered a "paper loss" and not a real loss.
- Per Investopedia:

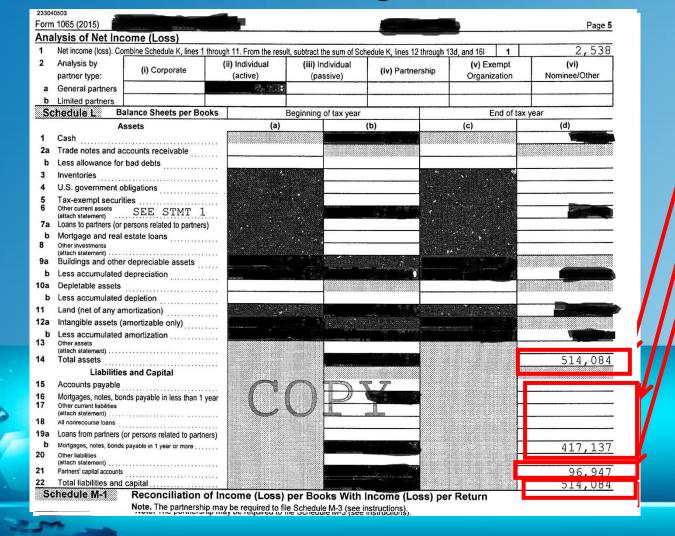
 "Depreciation...does not represent real cash flow.

 Depreciation is an accounting convention that allows a company to write-off the value of an asset over time, but is considered a non-cash transaction."



Net Value of Partnerships

Basic Accounting: Assets = Liabilities + Equity

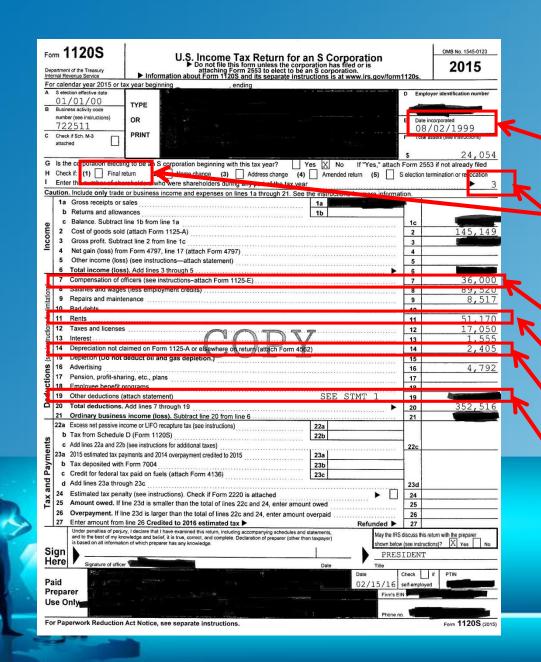


Assets Liabilities

Equity

Equity (net value)

S-Corporations, Trusts



Line 17 & Schedule E Schedule K-1 and Form 1120-S

Date Incorporated

Final Return?

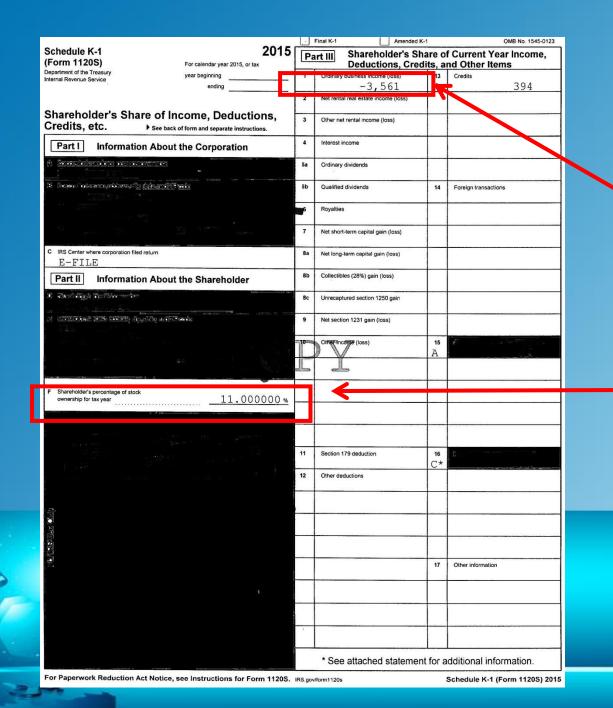
Number of Shareholders

Compensation of Officers

Rents

Depreciation

Other deductions

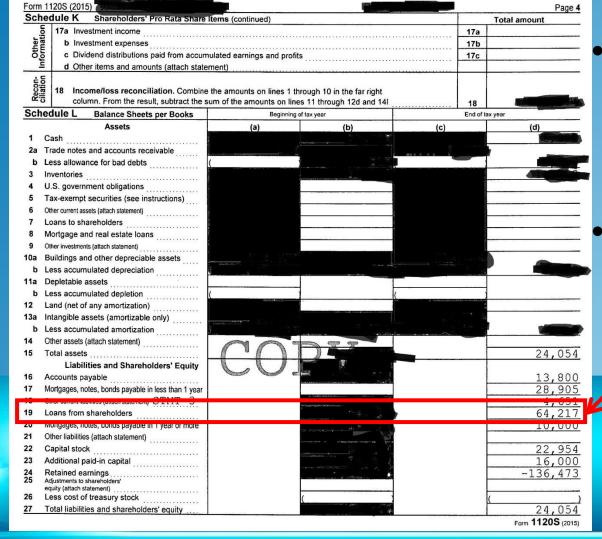


Schedule K-1

Business Income (Loss)

Percentage of Ownership

S-Corporation – Form 1120 S



Assets =
Liabilities +
Equity

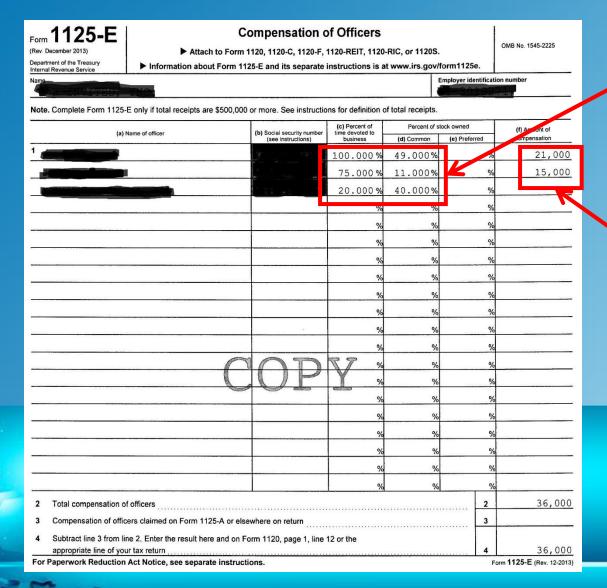
Loans from shareholders

Loans from Shareholders

Per NASFAA Ask Regs: If an Applicant is the Sole Shareholder in a Corporation, Should a "Loan from Shareholders" be Reported as an Asset on the FAFSA?

- **Scenario:** A student's parents own a corporation and are the sole shareholders. The balance sheet of the corporation indicates a \$540,000 "loan from shareholders."
- Answer: Yes, the value of the loan should be included in FAFSA Q. 89 as an investment. The FAFSA indicates that investments include (but are not limited to): "...real estate (do not include the home you live in), trust funds, UGMA and UTMA accounts, money markets funds, mutual funds, certificates of deposit, stocks, stock options, bonds, other securities, installment and land sale contracts (including mortgages held, commodities, etc." Although the parents own the corporation, they have used \$540,000.00 of their own money to loan money to a separate entity (their corporation). The fact that the \$540,000.00 is a loan implies that the corporation will eventually pay the parents back, further demonstrating that the parents made an investment into their own company.
- The FAFSA Q. 90 would not have a bearing on the answer to FAFSA Q. 89.

Compensation of Officers



% of time
 devoted to
 business vs. %
 of Stock
 Owned

 Amount of Compensation

Other Deductions

SECURITY

AMORTIZATION

TOTAL

Statement 1 - Form 1120S, Page 1, Line 19 - Other Deductions Description Amount LEGAL AND ACCOUNTING 7,873 CLEANING Meals ELECTRICITY 17,022 INSURANCE 7,696 LAUNDRY AND LINEN LICENSES AND PERMITS 890 OFFFICE EXPENSE 1,591 Travel 11,491 SUPPLIES TELEPHONE 7,603 11,077 UTILITIES-GAS 930 TRASH REMOVAL 3,468 WATER 2,241 Entertainment CABLE 729 DUES AND SUBSCRIPTIONS BANK AND CREDIT CARD FEES EMPLOYEE MEALS 7,894 TRAVEL 3,652 MISCELLANEOUS 3,800 • Other? ENTERTAINMENT

234

1,711





Questions

Contact Information



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Director of Financial Aid
Thiel College

Cheryl Gerber
Director of Financial Aid
Westminster College

