Getting Familiar With the FAFSA and The New Look of 2018 Tax Returns

Presenters: Mr. Dan Wray, PHEAA; Ms. Jacqui Fraas, Robert Morris University
Location: Birmingham Room

This session will be of special interest to those who are not financial aid experts, but who occasionally need to help students and their families complete the FAFSA. We will cover the most common trouble spots within the application, as well as income, tax documentation, and verification implications. This will be a fast-moving, fact-filled session!
First On The List

HELLO
My name is

FSA ID

https://fsaid.ed.gov
Least Confusing Start

Log in to the FAFSA

Only students may use their FSA ID to log in. Parents and others can start a FAFSA for a student by entering the student's identifiers. Parents and others can also work on a FAFSA form or correction the student started using the Save Key that the student made. Help for parents.

Do not log in with the FSA ID if you are not the student.
Don't have an FSA ID? Create one or login using the student's identifiers.

Student's FSA ID Username, E-mail Address, or Mobile Number

Forgot Username

The student's FSA ID Password

Forgot Password

FSA ID Username

FSA ID Password
Pick the Correct Year

Welcome, first last!

Fill out your FAFSA form!
To receive federal student financial aid, you need to fill out a FAFSA every school year. Let’s get started.

For which school year are you applying for financial aid?

If you are applying for a summer session, or just don’t know which application to complete, check with the college you are planning to attend.

Which school year should I choose?

START 2020-2021 FAFSA

OR

START 2019-2020 FAFSA
Application was successfully saved.

Because the FAFSA belongs to the student, "you" and "your" always (unless otherwise noted) refer to the student.

Your Social Security Number
454-45-4545

Must be PREFECT
Need an advanced degree eventually?
Need an undergrad degree first.
Two things can go wrong here

What will your college grade level be when you begin the 2020-2021 school year?
- Never attended college/1st yr.

Are you interested in being considered for work-study?
- Yes
- No
- Don't know
Even though there's no draft......

No need to wait until 18
Highest cost PA school first. Order doesn’t matter after that.
If a parent is working the *mouse*, this question can be a *trap*!
Answer the following questions to determine if you are required to provide information about your parents on your FAFSA. Check all that apply or check None of the above.

- Are you currently serving on active duty in the U.S. Armed Forces for purposes other than training?
- Are you a veteran of the U.S. Armed Forces?
- At any time since you turned age 13, were both your parents deceased, were you in foster care, or were you a dependent or ward of the court?
- As determined by a court in your state of legal residence, are you or were you an emancipated minor?
- Does someone other than your parent or stepparent have legal guardianship of you, as determined by a court in your state of legal residence?

None of the above
Dependency Determination

For guardianship, emancipated minor, etc., please be sure to have all documentation ready and available when the school and/or PHEAA requests it. Missing deadlines can mean missing out on free money.
Homeless Liaison is the best route

https://www.education.pa.gov/K-12/Homeless Education/Pages/default.aspx

https://homeless.center-school.org/about/homeless-liaisons/

https://directory.center-school.org/homeless/?page=liaison
Most difficult question on the FAFSA

When did your parents get married or remarried?

06/1999

Emotions can run the gamut
This is for the student’s parents (know who’s typing)

All demographic info must match the FSA ID
(assuming this parent has one)
Household Size & Number in College

Parents Information

Household Size

Number in College

How many people in your parents' household (as reported above) will be college students between July 1, 2020 and June 30, 2021? Do not include your parents.

Keep Calm and Read Carefully
Financial Section

For 2018, have your parents completed their IRS income tax return or another tax return?
- Already completed

What type of income tax return did your parents file for 2018?
- IRS 1040

For 2018, what is your parents' tax filing status according to their tax return?
- Married-Filed Joint Return

IRIS Data Retrieval Tool

Applying is faster and easier if your parents transfer their tax return information into this FAFSA with the IRS Data Retrieval Tool (IRS DRT)!

LINK TO IRS
Who Can’t Use the IRS DRT?

- Married filing separately
- Don’t have an FSA ID
- Don’t have an SSN
- Separated/divorced now, but filed jointly in requested tax year
- Parents unmarried and living together
- Changed marital status after the end of the tax year
- Foreign tax return
- Tax return and FAFSA addresses don’t match
- Victims of identity theft
These are some of the items the student and parent(s) will need to provide manually, if unable to use the IRS Data Retrieval Tool.
Other Pieces of the Puzzle for parent(s) and student

✓ Earnings from work (i.e., W-2)
✓ Actual child support paid
✓ Actual child support received
✓ Current value of cash, savings, checking, stocks, bonds, CDs, real estate (not primary home/farm), other assets
✓ Untaxed income sources (includes pre-tax contributions to retirement, worker’s comp, disability, etc.)
✓ Veterans’ non-education benefits
  ▪ NOT untaxed portions of Social Security
Auto-Zero/Simplified
(Assets not considered)

DEPENDENT STUDENT

(1) Anyone in the parents’ household received designated means-tested federal benefits; e.g., Medicaid, SSI, SNAP, Free and Reduced Price School Lunch, TANF, or WIC during 2018 or 2019
OR
the student’s parents:
• filed a 2018 IRS Form 1040, but did not file a Schedule 1,
• filed a tax form from a Trust Territory,
• or were not required to file any income tax return;
OR
the student’s parent is a dislocated worker.

AND

(2) The combined 2018 income of the student’s parents is $49,999 or less.
(AUTO-ZERO = $26,000 or less)
INDEPENDENT STUDENT

(1) Anyone in the student's household received designated means-tested federal benefits; e.g., Medicaid, SSI, SNAP, Free and Reduced Price School Lunch, TANF, or WIC during 2018 or 2019;
OR
the student and student’s spouse (if the student is married) both
• filed a 2018 IRS Form 1040, but did not file a Schedule 1,
• filed a tax form from a Trust Territory,
• or were not required to file any income tax return;
OR
the student (or the student’s spouse, if any) is a dislocated worker.

AND

(2) The student’s (and spouse’s) combined 2018 income is $49,999 or less.
(AUTO-ZERO = $26,000)
Not eligible for auto-zero if no dependents other than spouse.
Be sure to sign and submit

Both you and a parent need to sign your FAFSA.

Only sign for yourself. If you and your parent are not together, one of you can sign, save the application and then exit. Give the "save key" to the other person who can log in with it and sign and submit the FAFSA.

Be sure not to mix up your and your parent's FSA IDs when signing.
Start your state application to apply for Pennsylvania state-based financial aid.
Questions?
What’s the big deal about 2018 tax returns?
What’s the big deal?

• It’s not really a big deal if the IRS Data Retrieval Tool was used when filing the FAFSA.

• The 2018 Federal 1040 tax return looks considerably different than in years past (Some say more complicated).

• When the IRS Data Retrieval Tool is not used, families will need to manually pull information from their tax return to complete the FAFSA, so it’s important to understand the differences, if helping families.

• If selected for Verification, student/parent may need to a submit federal tax return to the Financial Aid Office for review.

• The evaluation of the new 1040 tax return will be more complicated for Financial Aid Administrators to review.
### U.S. Individual Income Tax Return

**Form 1040**

**For Year Ending Jan. 31, 2017 or 2018 of other excercise period**

#### Filing Status
- Single
- Married filing jointly
- Married filing separately
- Head of household
- Qualifying widow/widower

#### Exemptions
- Yourself
- Your spouse
- Qualifying child or other dependent

#### Income
- Wages, salaries, tips, etc.
- Ordinary dividends
- Sale of business assets
- Unearned income
- Rental property

#### Adjusted Gross Income
- Gross income
- Exclusions
- Adjustments

#### Tax and Credits
- Taxable income
- Exemptions
- Standard deduction
- Itemized deductions
- Foreign tax credit
- Education tax credits
- Child and dependent care expenses

#### Refund
- Amount you owe
- Tax refund

#### Sign Here
- Name
- Signature

**2017 1040, 1040EZ and 1040A**
• Forms 1040A and 1040EZ have been eliminated.

• Instead, 6 new schedules are possible.

• For FAFSA and Verification we need 1040 and just the Schedules 1, 2 and 3.
Schedules 1, 2 and 3 – Yikes!
Did the Student/Parent file a Schedule 1?

Generally, taxpayers file a Schedule 1 to report income or adjustments to income that can’t be entered directly on Form 1040.

This question is used to help determine if your parent(s) may be eligible to skip certain financial questions in the FAFSA form.

Select “No” if your parents didn’t and won’t file a Schedule 1.

OR

Select “No” if your parents filed or will file a Schedule 1 but only to report one or more of the following six additions or adjustments to income on Schedule 1:

1. Capital gain (Line 13 may not be less than 0)
2. Unemployment compensation (Line 19)
3. Other income to report an Alaska Permanent Fund dividend (Line 21 may not be less than 0)
4. Educator expense (Line 23)
5. IRA deduction (Line 32)
6. Student loan interest deduction (Line 33)

https://financialaidtoolkit.ed.gov/
Verification

• Accuracy Review Process.

• Roughly 30% of all FAFSA are selected by the US Department of Education.

<table>
<thead>
<tr>
<th>Standard Verification Group</th>
<th>Tax Filers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Adjusted Gross Income</td>
</tr>
<tr>
<td></td>
<td>• U.S. Income Tax Paid</td>
</tr>
<tr>
<td></td>
<td>• Untaxed Portions of IRA Distributions and Pensions</td>
</tr>
<tr>
<td></td>
<td>• IRA Deductions and Payments</td>
</tr>
<tr>
<td></td>
<td>• Tax Exempt Interest Income</td>
</tr>
<tr>
<td></td>
<td>• Education Tax Credits</td>
</tr>
<tr>
<td>Nontax Filers</td>
<td>• Income Earned from Work</td>
</tr>
<tr>
<td>Tax Filers and NonTax Filers</td>
<td>• Number of Household Members</td>
</tr>
<tr>
<td></td>
<td>• Number in College</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Custom Verification Group</th>
<th>High School Completion Status</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Identity/Statement of Educational Purpose</td>
</tr>
</tbody>
</table>
How to Complete Verification

• Easiest way to complete verification
  o Use IRS Data Retrieval Tool at FAFSA Completion
  o Submit a Verification Worksheet
  o Don’t you wish all families took the easy route?!

• The Not as Easy way to Complete Verification
  o When IRS DRT is not used, tax filers must submit either:
    • Federal Tax Return Transcript (www.irs.gov/get-transcript)
      OR
    • A Signed Federal 1040 Tax Return.

• Non-Tax Filer Requirements
  o Verification of Non Filing Letter (Independent Students/Parents of Dependent Students)
  o W-2’s
  o Other applicable forms
<table>
<thead>
<tr>
<th>FAFSA Question</th>
<th>Where to Find it on 2018 1040/Schedules</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted Gross Income (AGI)</td>
<td>1040: line 7</td>
</tr>
<tr>
<td>US Income Tax Paid</td>
<td>1040: line 13 - Schedule 2: line 46</td>
</tr>
<tr>
<td>Untaxed Portion of IRA Distributions and Pensions</td>
<td>1040 lines 4a - 4b. (Exclude Rollover)</td>
</tr>
<tr>
<td>IRA Deductions and Payments</td>
<td>Schedule 1: line 28 – line 32</td>
</tr>
<tr>
<td>Tax Exempt Interest Income</td>
<td>1040: Line 2a</td>
</tr>
<tr>
<td>Education Credits</td>
<td>Schedule 3: line 50</td>
</tr>
<tr>
<td>Additional Income</td>
<td>1-9b</td>
</tr>
<tr>
<td>------------------</td>
<td>-----</td>
</tr>
<tr>
<td>Reserved</td>
<td>814 00</td>
</tr>
<tr>
<td>Taxable refunds, credits, or offsets of state and local income taxes</td>
<td>10</td>
</tr>
<tr>
<td>Alimony received</td>
<td>11</td>
</tr>
<tr>
<td>Business income or (loss). Attach Schedule C or C-EZ</td>
<td>12</td>
</tr>
<tr>
<td>Capital gain or (loss). Attach Schedule D if required. If not required, check here</td>
<td>13</td>
</tr>
<tr>
<td>Other gains or (losses). Attach Form 4797</td>
<td>14</td>
</tr>
<tr>
<td>Reserved</td>
<td>15b</td>
</tr>
<tr>
<td>Reserved</td>
<td>16b</td>
</tr>
<tr>
<td>Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E</td>
<td>17</td>
</tr>
<tr>
<td>Farm income or (loss). Attach Schedule F</td>
<td>18</td>
</tr>
<tr>
<td>Unemployment compensation</td>
<td>19</td>
</tr>
<tr>
<td>Other income. List type and amount</td>
<td>20b</td>
</tr>
<tr>
<td>Combine the amounts in the far right column. If you don’t have any adjustments to income, enter here and include on Form 1040, line 6. Otherwise, go to line 23</td>
<td>21</td>
</tr>
<tr>
<td>Educator expenses</td>
<td>23</td>
</tr>
<tr>
<td>Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106</td>
<td>24</td>
</tr>
<tr>
<td>Health savings account deduction. Attach Form 8889</td>
<td>25</td>
</tr>
<tr>
<td>Moving expenses for members of the Armed Forces. Attach Form 3903</td>
<td>26</td>
</tr>
<tr>
<td>Deductible part of self-employment tax. Attach Schedule SE</td>
<td>27</td>
</tr>
<tr>
<td>Self-employed SEP, SIMPLE, and qualified plans</td>
<td>28</td>
</tr>
<tr>
<td>Self-employed health insurance deduction</td>
<td>29</td>
</tr>
<tr>
<td>Penalty on early withdrawal of savings</td>
<td>30</td>
</tr>
<tr>
<td>Alimony paid b Recipient’s SSN</td>
<td>31a</td>
</tr>
<tr>
<td>IRA deduction</td>
<td>32</td>
</tr>
<tr>
<td>Student loan interest deduction</td>
<td>33</td>
</tr>
<tr>
<td>Reserved</td>
<td>34</td>
</tr>
<tr>
<td>Reserved</td>
<td>35</td>
</tr>
<tr>
<td>Add lines 23 through 35</td>
<td>36</td>
</tr>
</tbody>
</table>

For Paperwork Reduction Act Notice, see your tax return instructions.
# SCHEDULE 2

## Tax

- **Tax**
  - 38-44 Reserved
  - 45 Alternative minimum tax. Attach Form 6251
  - 46 Excess advance premium tax credit repayment. Attach Form 8962
  - 47 Add the amounts in the far right column. Enter here and include on Form 1040, line 11

## INCOME TAX PAID

- **1040 Line 13 minus Schedule 2, Line 46**
  - (if negative amount, enter zero)

For Paperwork Reduction Act Notice, see your tax return instructions.

Cat. No. 71478U

Schedule 2 (Form 1040) 2018

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# SCHEDULE 3

## Nonrefundable Credits

- **Nonrefundable Credits**
  - 48 Foreign tax credit. Attach Form 1116 if required
  - 49 Credit for child and dependent care expenses. Attach Form 2441
  - 50 Education credits from Form 8863, line 19
  - 51 Retirement savings contributions credit. Attach Form 8880
  - 52 Reserved
  - 53 Residential energy credit. Attach Form 5695
  - 54 Other credits from Form [ ] 3800 [ ] 8801 [ ]
  - 55 Add the amounts in the far right column. Enter here and include on Form 1040, line 12

For Paperwork Reduction Act Notice, see your tax return instructions.

Cat. No. 71480G

Schedule 3 (Form 1040) 2018

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Annual Tax Transcript Decoder
NASFAAA

Tax Transcript Decoder®

COMPARISON OF 2018 TAX RETURN AND TAX TRANSCRIPT DATA
2020-21 Award Year (Version 1.0)

QUALIFIED DIVIDENDS:
REFUNDS OF STATE/LOCAL TAXES:
ALimony RECEIVED:
BUSINESS INCOME OR LOSS (Schedule C):
BUSINESS INCOME OR LOSS: SCH C PER COMPUTER:
CAPITAL GAIN OR LOSS: (Schedule D):
CAPITAL GAINS OR LOSS: SCH D PER COMPUTER:
OTHER GAINS OR LOSSES (Form 4797):
TOTAL IRA DISTRIBUTIONS:
TAXABLE IRA DISTRIBUTIONS:
IRAs, PENSIONS AND ANNUITIES:
TAXABLE IRAs, PENSIONS AND ANNUITIES:
SCHEDULE 2 INDICATOR:
SCHEDULE 3 INDICATOR:
ADDITIONAL INCOME:

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Questions?

Dan Wray
PHEAA
dwray@pheaa.org

Jacquelyn Fraas
Robert Morris University
fraas@rmu.edu