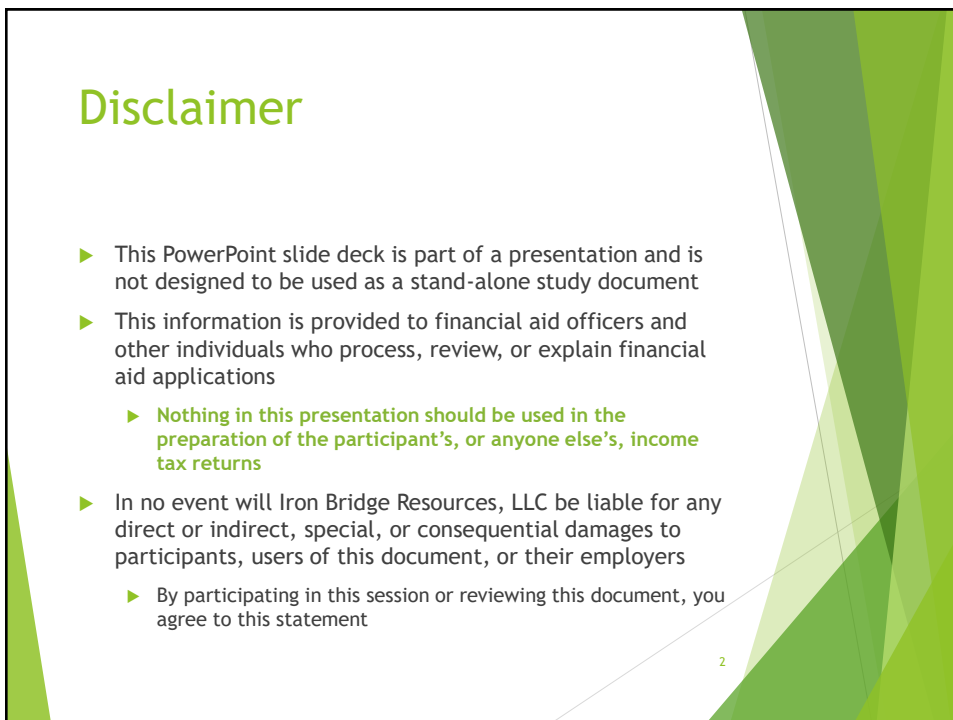




1



2

## Sourcing and Distribution

- ▶ The information cited in this presentation is based on
  - ▶ IRS publications, forms, and form instructions for 2019
  - ▶ The most recent versions of each Department of Education publication
    - ▶ The 2021-2022 pdf FAFSA
    - ▶ *The Application and Verification Guide, 2020-2021*
    - ▶ *EFC Formula Guide, ISIR Guide, and SAR Comment Codes and Text, 2021-2022*
  - ▶ The Program Integrity Website and announcements including all updates through October 22, 2020
- ▶ Recording of this presentation is prohibited
- ▶ This program was created for and offered by the Pennsylvania Association of Student Financial Aid Administrators (PASFAA)
  - ▶ This handout may be shared with other PASFAA members who registered for the PASFAA conference. No other distribution is allowed

3

3

## Introducing the 2019 Tax Forms (and a peak at the 2020 Forms)



4

# New (Again) Form 1040 – 2019

Form 1040

Form 1040-SR

2019 U.S. Individual Income Tax Return. Includes sections for Filing Status, Personal Information, Standard Deduction, and various income and deduction categories (1-11a).

2019 U.S. Tax Return for Seniors. Includes sections for Filing Status, Personal Information, Standard Deduction, and various income and deduction categories (1-11a).

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5

# Verification – 2019 Form 1040

2019 U.S. Individual Income Tax Return with handwritten annotations: 'B' in line 8b, 'C' in line 4c, and 'A' in line 11a.

- A. AGI (line 8b)
- B. Tax exempt interest income (line 2a)
- C. Untaxed IRA and pension distributions (line 4a minus 4b) plus (line 4c minus 4d)

A table of FAFSA data elements and their locations on 2017, 2018, and 2019 returns is included at the end of the webinar handout.

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6

## Verification – 2019 Form 1040

Form 1040 (2019) Page 2

12a Tax (see instructions) 12b

13a Add Schedule 2, line 3, and line 12a and enter the total 13b

14 Add Schedule 3, line 7, and line 13a and enter the total 14

15 Other taxes, including self-employment tax, from Schedule 2, line 10 15

16 Add lines 14 and 15. This is your **total tax** 16

17 Federal income tax withheld from Forms 4972 and 1099 17

18 Other payments and refundable credits:

18a Earned income credit (EIC) 18a

18b Additional child tax credit. Attach Schedule 8812 18b

18c American opportunity credit from Form 8863, line 8 18c

18d Schedule 3, line 14 18d

18e Add lines 18a through 18d. These are your total other payments and refundable credits 18e

19 Add lines 17 and 18e. These are your **total payments** 19

20 If line 19 is more than line 16, subtract line 16 from line 19. This is the amount you overpaid 20

21a Amount of line 20 you want refunded to you. If Form 8888 is attached, check here 21a

21b Refunding number 21b

21c Account number 21c

21d Payment type:  Checking  Savings 21d

22 Amount of line 20 you want applied to your 2020 estimated tax 22

23 Amount you owe. Subtract line 19 from line 22. For details on how to pay, see instructions 23

24 Estimated tax penalty (see instructions) 24

D. Income tax after credits (line 14)

Remember, the FAFSA question "Income tax for 2019" is a calculated figure.

85. Enter your parents' income tax for 2019. Income tax amount is the total of IRS Form 1040—line 14 minus Schedule 2—line 2. If negative, enter a zero here.

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## Verification – 2019 Schedule 1

SCHEDULE 1 (Form 1040 or 1040-SR) Additional Income and Adjustments to Income

OMB No. 1545-0074

2019

Department of the Treasury Internal Revenue Service

Go to [www.irs.gov/Form1040](http://www.irs.gov/Form1040) for instructions and the latest information.

Your social security number

At any time during 2019, did you receive, sell, send, exchange, or otherwise acquire any financial interest in any virtual currency?  Yes  No

**Part I Additional Income**

1 Taxable refunds, credits, or offsets of state and local income taxes 1

2a Alimony received 2a

b Date of original divorce or separation agreement (see instructions) ▶ 3

3 Business income or (loss). Attach Schedule C 3

4 Other gains or (losses). Attach Form 4797 4

5 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E 5

6 Farm income or (loss). Attach Schedule F 6

7 Unemployment compensation 7

8 Other income. List type and amount ▶ 8

9 Combine lines 1 through 8. Enter here and on Form 1040 or 1040-SR, line 7a 9

**Part II Adjustments to Income**

10 Educator expenses 10

11 Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 11

12 Health savings account deduction. Attach Form 8889 12

13 Moving expenses for members of the Armed Forces. Attach Form 3903 13

14 Deductible part of self-employment tax. Attach Schedule SE 14

15 Self-employed SEP, SIMPLE, and qualified plans 15

16 Self-employed health insurance deduction 16

17 Penalty on early withdrawal of savings 17

18a Alimony paid 18a

b Recipient's SSN ▶ 18b

c Date of original divorce or separation agreement (see instructions) ▶ 19

19 IRA deduction 19

20 Student loan interest deduction 20

21 Tuition and fees. Attach Form 8917 21

22 Add lines 10 through 21. These are your adjustments to income. Enter here and on Form 1040 or 1040-SR, line 8a 22

E. IRA Deduction (line 15 + line 19)

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## Verification – 2019 Schedule 2

SCHEDULE 2 (Form 1040 or 1040-SR)		Additional Taxes		OMB No. 1545-0074	
Department of the Treasury Internal Revenue Service		▶ Attach to Form 1040 or 1040-SR. ▶ Go to <a href="http://www.irs.gov/Form1040">www.irs.gov/Form1040</a> for instructions and the latest information.		2019 Attachment Sequence No. 02	
Name(s) shown on Form 1040 or 1040-SR		Your social security number			
<b>Part I Tax</b>					
1	Alternative minimum tax. Attach Form 6251			1	
2	Excess advance premium tax credit repayment. Attach Form 8962			2	
3	Add lines 1 and 2. Enter here and include on Form 1040 or 1040-SR, line 12b			3	
<b>Part II Other Taxes</b>					
4	Self-employment tax. Attach Schedule SE			4	
5	Unreported social security and Medicare tax from Form: a <input type="checkbox"/> 4137 b <input type="checkbox"/> 8919			5	
6	Additional tax on IRAs, other qualified retirement plans, and other tax-favored accounts. Attach Form 5329 if required			6	
7a	Household employment taxes. Attach Schedule H			7a	
7b	Repayment of first-time homebuyer credit from Form 5405. Attach Form 5405 if required			7b	
8	Taxes from: a <input type="checkbox"/> Form 8959 b <input type="checkbox"/> Form 8966 c <input type="checkbox"/> Instructions; enter code(s)			8	
9	Section 965 net tax liability installment from Form 965-A			9	
10	Add lines 4 through 8. These are your total other taxes. Enter here and on Form 1040 or 1040-SR, line 15			10	

D2

2018  
Schedule 4

D. Excess advance premium tax credit repayment (Schedule 2 – line 2)

This figure is subtracted from Form 1040, line 14, to get “income tax for 2019”

85. Enter your parents' income tax for 2019. Income tax amount is the total of IRS Form 1040—line 14 minus Schedule 2—line 2. If negative, enter a zero here.

## Verification – 2019 Schedule 3

SCHEDULE 3 (Form 1040 or 1040-SR)		Additional Credits and Payments		OMB No. 1545-0074	
Department of the Treasury Internal Revenue Service		▶ Attach to Form 1040 or 1040-SR. ▶ Go to <a href="http://www.irs.gov/Form1040">www.irs.gov/Form1040</a> for instructions and the latest information.		2019 Attachment Sequence No. 03	
Name(s) shown on Form 1040 or 1040-SR		Your social security number			
<b>Part I Nonrefundable Credits</b>					
1	Foreign tax credit. Attach Form 1116 if required			1	
2	Credit for child and dependent care expenses. Attach Form 2441			2	
3	Education credits from Form 8863, line 19			3	
4	Retirement savings contributions credit. Attach Form 8880			4	
5	Residential energy credit. Attach Form 5695			5	
6	Other credits from Form: a <input type="checkbox"/> 3800 b <input type="checkbox"/> 8801 c <input type="checkbox"/>			6	
7	Add lines 1 through 6. Enter here and include on Form 1040 or 1040-SR, line 13b			7	
<b>Part II Other Payments and Refundable Credits</b>					
8	2019 estimated tax payments and amount applied from 2018 return			8	
9	Net premium tax credit. Attach Form 8962			9	
10	Amount paid with request for extension to file (see instructions)			10	
11	Excess social security and tier 1 RRTA tax withheld			11	
12	Credit for federal tax on fuels. Attach Form 4136			12	
13	Credits from Form: a <input type="checkbox"/> 2439 b <input type="checkbox"/> Reserved c <input type="checkbox"/> 8885 d <input type="checkbox"/>			13	
14	Add lines 8 through 13. Enter here and on Form 1040 or 1040-SR, line 18d			14	

F

F. Education Credits (Schedule 3 – line 3)

2018  
Schedule 5

## Other Data – 2019 Form 1040

The image shows the top portion of the 2019 Form 1040. Key sections include:
 

- Filing Status:** Single, Married filing jointly, Married filing separately (MFS), Head of household (HOH), Qualifying widow(er) (QW).
- Personal Information:** Name, address, city, state, ZIP code, and social security number.
- Standard Deduction:** Spouse benefits on a separate return or you were a dual-status alien.
- Dependents:** Table for listing dependents with their names and social security numbers.
- Income Section:** Lines 1 through 11b for reporting wages, interest, dividends, and other income.

- Filing Status**
  - Includes space for the HoH qualifying person's or MFS spouse's name
- Wages (line 1)**
- Capital Gains have moved from 2018's Schedule 1 to 2019's Form 1040**
  - As a result, capital losses are no longer an Auto Zero or Simplified Formula concern

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## Earned Income – 2019 Schedule 1

The image shows the 2019 Schedule 1 form. Key sections include:
 

- Part I Additional Income:** Lines 1 through 9 for reporting tax refunds, alimony, business income, rental income, farm income, unemployment compensation, and other income.
- Part II Adjustments to Income:** Lines 10 through 22 for reporting educator expenses, business expenses, health savings account deduction, moving expenses, self-employment tax, self-employed SEP, SIMPLE, and qualified plans, self-employed health insurance deduction, penalty on early withdrawal of savings, alimony paid, RIA deduction, student loan interest deduction, tuition and fees, and other adjustments.

- Sole Proprietors Schedule C (line 3)**
- Partnerships Schedule K-1 (Form 1065) (may be on line 5) Check Schedule E**
- Farms Schedule F (line 6)**

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# HSAs – 2019 Schedule 1

**SCHEDULE 1**  
Form 1040 or 1040-SR  
Department of the Treasury  
Internal Revenue Service

**Additional Income and Adjustments to Income**  
▶ Attach to Form 1040 or 1040-SR.  
▶ Go to [www.irs.gov/Form1040](http://www.irs.gov/Form1040) for instructions and the latest information.

OMB No. 1545-0074  
**2019**  
Attachment  
Sequence No. 01

Part 1 Adjustments to Income		
10	Educator expenses	10
11	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2110.	11
12	Health savings account deduction. Attach Form 8889.	12
13	Moving expenses for members of the Armed Forces. Attach Form 3903.	13
14	Deductible part of self-employment tax. Attach Schedule SE.	14
15	Self-employed SEP, SIMPLE, and qualified plans.	15
16	Self-employed health insurance deduction.	16
17	Penalty on early withdrawal of savings.	17
18a	Alimony paid	18a
b	Recipient's SSN	
19	IRA deduction	19
20	Student loan interest deduction	20
21	Tuition and fees. Attach Form 8917.	21
22	Add lines 10 through 21. These are your adjustments to income. Enter here and on Form 1040 or 1040-SR, line 8a.	22

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 17473F Schedule 1 (Form 1040 or 1040-SR) 2019

- Health Savings Account (HSA) deduction (Line 12)

92. Parents' 2019 Untaxed Income (Enter the amounts for your parent[s].)

h. Other untaxed income not reported in items 92a through 92g, such as workers' compensation, disability benefits, untaxed foreign income, etc. Also include the untaxed portions of health savings accounts from IRS Form 1040 Schedule 1—line 12. Don't include extended foster care benefits, student aid, earned income credit, additional child tax credit, welfare payments, untaxed Social Security benefits, Supplemental Security Income, Workforce Innovation and Opportunity Act educational benefits, on-base military housing or a military housing allowance, combat pay, benefits from flexible spending arrangements (e.g., cafeteria plans), foreign income exclusion or credit for federal tax on special fuels.

# What 2019 Schedules Do You Need?

**1040 U.S. Individual Income Tax Return 2019**

Department of the Treasury - Internal Revenue Service

Filing Status:  Single  Married filing jointly  Married filing separately (MFS)  Head of household (HOH)  Qualifying widow(er) (QW)

Check only one box. If you checked the MFS box, enter the name of spouse. If you checked the HOH or QW box, enter the child's name if the qualifying person is a child but not your dependent. ▶

Your first name and middle initial Last name Your social security number

If joint return, spouse's first name and middle initial Last name Spouse's social security number

Home address (number and street). If you have a P.O. box, see instructions. Apt. no. Presidential Election Campaign: Check first three of your spouse's (if any), with 8 to go to this field. Check 4 to enter on first page per tax return.  Yes  Spouse

Foreign country name Foreign province/state/country Foreign postal code If more than four dependents, see instructions and Form 8879.

Standard Deduction:  Someone can claim  You as a dependent  Your spouse as a dependent  You as a dual-status alien

Age/ blindness:  Spouse has same or a separate return or you were a dual-status alien

Dependents (see instructions): Year  Were born before January 2, 1959  Are blind  Was born before January 2, 1959  Is blind

(i) First name	Last name	(ii) Social security number	(iii) Relationship to you	(iv) If filer (see instructions)	Child tax credit	Credit for other dependents

1	Wages, salaries, tips, etc. (Attach Form(s) W-2)	1
2a	Tax-exempt interest	2a
2b	Qualified dividends	2b
3a	IRA distributions	3a
3b	Penalties and annuities	3b
4	Social security benefits	4
5	Capital gain or loss (Attach Schedule D if required. If not required, check here.)	5
6	Other income from (Schedule) line 8	6
7a	Add lines 1, 2a, 2b, 3a, 3b, 4a, 5a, 6, and 7b. This is your total income.	7a
7b	Adjustments to income from (Schedule) line 22	7b
8	Subtract line 7b from line 7a. This is your adjusted gross income.	8
9	Standard deduction or itemized deductions (from Schedule A)	9
10	Qualified business income deduction. Attach Form 8885 or Form 8885-A.	10
11a	Add lines 9 and 10	11a
11b	Taxable income. Subtract line 11a from line 8b. If zero or less, enter -0-	11b

For Disclosures, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 173305 Form 1040 (2019)

- The taxpayer filed a Schedule 1 if either Form 1040, line 7a\* or Form 1040, line 8a is not blank and not zero

Note: Historically, tax preparers would leave a line blank if there was no supporting form to feed into that line. With this implementation of Schedules 1, 2, and 3, this convention appears to have been relaxed.

\*The only 2020-2021 Verification item on Schedule 1 is the IRA deduction, which is an adjustment to income included in the figure on 2019 Form 1040, line 8a. If line 7a has data and line 8a does not, the Schedule 1 will not have any verification items on it.

## What 2019 Schedules Do You Need?

- You need Schedule 2\* if line 12a is different from line 12b

Form 1040 (2019) Page 2

12a Tax (see inst.) Check if any from Form(s): 1  8814 2  4972 3  12a

b Add Schedule 2 line 3, and line 12a and enter the total 12b

13a Child tax credit or credit for other dependents 13a

b Add Schedule 3 line 7, and line 13a and enter the total 13b

14 Subtract line 13b from line 12b. If zero or less, enter -0- 14

15 Other taxes, including self-employment tax, from Schedule 2, line 10 15

16 Add lines 14 and 15. This is your total tax 16

17 Federal income tax withheld from Forms W-2 and 1099 17

18 Other payments and refundable credits:

a Earned income credit (EIC) 18a

b Additional child tax credit. Attach Schedule 8812 18b

c American opportunity credit from Form 8863, line 8 18c

d Schedule 3, line 14 18d

e Add lines 18a through 18d. These are your total other payments and refundable credits 18e

19 Add lines 17 and 18e. These are your total payments 19

- You need Schedule 3+ if line 13a is different from line 13b

\*Schedule 2 is also referenced on line 15. If line 12a and 12b are the same, you can assume that Schedule 2, line 3 is 0 without collecting Schedule 2, because the information from Schedule 2 that appears on line 15 is not relevant to the FAFSA.

+Schedule 3 is also referenced on line 18d. If line 13a and 13b are the same, you can assume that Schedule 3, line 3 is 0 without collecting Schedule 3, because the information from Schedule 3 that appears on line 18d is not relevant to the FAFSA.

## Draft 2020 Form 1040 – Page 1

2019

2020 Draft

1 Wages, salaries, tips, etc. Attach Form(s) W-2

2a Tax-exempt interest 2a

3a Qualified dividends 3a

4a IRA distributions 4a

c Pensions and annuities 4c

5a Social security benefits 5a

6 Capital gain or (loss). Attach Schedule D if required. If not required, enter -0-

7a Other income from Schedule 1, line 9

b Add lines 1, 2b, 3b, 4b, 5b, 6, and 7a. This is your total income

8a Adjustments to income from Schedule 1, line 22

b Subtract line 8a from line 7b. This is your adjusted gross income

9 Standard deduction or itemized deductions (from Schedule A)

10 Qualified business income deduction. Attach Form 8997 or Form 8998

11a Add lines 9 and 10

b Taxable income. Subtract line 11a from line 8b. If zero or less, enter -0-

1 Wages, salaries, tips, etc. Attach Form(s) W-2

2a Tax-exempt interest 2a

3a Qualified dividends 3a

4a IRA distributions 4a

5a Pensions and annuities 5a

6a Social security benefits 6a

7 Capital gain or (loss). Attach Schedule D if required. If not required, enter -0-

8 Other income from Schedule 1, line 9

9 Add lines 1, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your total income

10 Adjustments to income:

a From Schedule 1, line 22

b Charitable contributions if you take the standard deduction. See instructions.

c Add lines 10a and 10b. These are your total adjustments to income

11 Subtract line 10c from line 9. This is your adjusted gross income

12 Standard deduction or itemized deductions (from Schedule A)

13 Qualified business income deduction. Attach Form 8995 or Form 8998

14 Add lines 12 and 13

15 Taxable income. Subtract line 14 from line 11. If zero or less, enter -0-

ONLY in 2020



## Draft 2020 Form 1040 – Page 2

Form 1040 (2019)	Form 1040 (2020)
12a Tax (see inst.)	16 Tax (see instructions). Check if any from Form(s): 1 <input type="checkbox"/> 8814 2 <input type="checkbox"/> 4972 3 <input type="checkbox"/>
b Add Schedule 2, line 1	17 Amount from Schedule 2, line 3
13a Child tax credit or credit for other dependents	18 Add lines 16 and 17
b Add Schedule 3, line 7	19 Child tax credit or credit for other dependents
14 Subtract line 13b from line 18	20 Amount from Schedule 3, line 7
15 Other taxes, including self-employment tax	21 Add lines 19 and 20
16 Add lines 14 and 15	22 Subtract line 21 from line 18. If zero or less, enter -0-
17 Federal income tax	23 Other taxes, including self-employment tax, from Schedule 2, line 10
18 Other payments and refundable credits	24 Add lines 22 and 23. This is your <b>total tax</b>
a Earned income credit (EIC)	25 Federal income tax withheld from:
b Additional child tax credit	a Form(s) W-2
c American opportunity credit	b Form(s) 1099
d Schedule 3, line 11	c Other forms (see instructions)
e Add lines 18a through 18d	d Add lines 25a through 25c
19 Add lines 17 and 18e. This is your total tax	25a
	25b
	25c
	26 2020 estimated tax payments and amount applied from 2019 return
	27 Earned income credit (EIC)
	28 Additional child tax credit. Attach Schedule 8812
	29 American opportunity credit from Form 8863, line 8
	30 Recovery rebate credit. See instructions
	31 Amount from Schedule 3, line 13
	32 Add lines 27 through 31. These are your <b>total other payments and refundable credits</b>
	33 Add lines 25d, 26, and 32. These are your <b>total payments</b>

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**ONLY in 2020**

17

## Auto Zero EFC and Simplified Formula Qualifications

18

## Qualification Rules

	Simplified Formula	Automatic Zero EFC*
<b>Income Earned from Work (non-filers)</b>	\$49,999 or less	\$27,000 or less
<b>Adjusted Gross Income (filers)</b>		

Increased for 2021-2022

The dependent student's parents or the independent student and their spouse meet one of these three criteria:

- They were not required to file a tax return or if they did, they did not report certain income or adjustment items on Schedule 1
- One of them is a dislocated worker as defined in the Workforce Innovation and Opportunity Act
- Anyone counted in their household size received a means-tested federal benefit at any time during 2019 or 2020. You may use professional judgment if individual did not receive these benefits in these years, but is receiving them "now"

\*Independent students without a dependent other than a spouse do not qualify for the Automatic Zero EFC

Based on the Application and Verification Guide, 2020-2021, pages 45 – 46 and the 2021-2022 EFC Formula Guide, pages 4 and 5

## Simplified Formula Questions

82. Did (or will) your parents file a Schedule 1 with their 2019 tax return? Answer "No" if they did not file a Schedule 1 or **only filed** a Schedule 1 to report: unemployment compensation, educator expenses, IRA deduction, student loan interest deduction, Alaska Permanent Fund dividend, or virtual currency. See Notes page 9.

Yes

No

Don't know

### Notes for questions 35 (page 4) and 82 (page 6)

Answer "No" if you (and if married, your spouse) did not file a Schedule 1. Answer "No" if you (and if married, your spouse) did or will file a Schedule 1 to report **only one or more** of the following items:

1. Unemployment compensation (line 7)
2. Other income to report an Alaska Permanent Fund dividend (line 8 – may not be a negative value)
3. Educator expenses (line 10)
4. IRA deduction (line 19)
5. Student loan interest deduction (line 20)
6. Receiving, selling, sending, exchanging, or otherwise acquiring any financial interest in any virtual currency

Answer "Yes" if you (or if married, your spouse) filed or will file a Schedule 1 and reported additional income or adjustments to income on any lines **other than or in addition to** the six exceptions listed above.

If you do not know if you filed or will file a Schedule 1, select "Don't know."

- New for 2021-2022: The six Schedule 1 items that are not simplified formula disqualifiers are listed in the question itself
- The IRS DRT will bring an answer to this question into the FAFSA!

## Schedule 1 – Non-Disqualifiers

At any time during 2019, did you receive, sell, send, exchange, or otherwise acquire any financial interest in any virtual currency?		Yes	No
<b>Part I Additional Income</b>			
1	Taxable refunds, credits, or offsets of state and local income taxes		
2a	Alimony received		
b	Date of original divorce or separation agreement (see instructions)		
3	Business income or (loss). Attach Schedule C		
4	Other gains or (losses). Attach Form 4797		
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E		
6	Farm income or (loss). Attach Schedule F		
7	Unemployment compensation		25,250
8	Other income. List type and amount	Alaska Fund	1,606
9	Combine lines 1 through 8. Enter here and on Form 1040 or 1040-SR, line 7a		26,856
<b>Part II Adjustments to Income</b>			
10	Educator expenses		250
11	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106		
12	Health savings account deduction. Attach Form 8889		
13	Moving expenses for members of the Armed Forces. Attach Form 3903		
14	Deductible part of self-employment tax. Attach Schedule SE		
15	Self-employed SEP, SIMPLE, and qualified plans		
16	Self-employed health insurance deduction		
17	Penalty on early withdrawal of savings		
18a	Alimony paid		
b	Recipient's SSN		
c	Date of original divorce or separation agreement (see instructions)		
19	IRA deduction		6,000
20	Student loan interest deduction		2,500
21	Tuition and fees. Attach Form 8917		
22	Add lines 10 through 21. These are your adjustments to income. Enter here and on Form 1040 or 1040-SR, line 8a		10,750

- Virtual Currency
- Unemployment Compensation
- Alaska Permanent Fund
- Educator Expenses
- IRA Deduction
- Student Loan Interest Deduction

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21

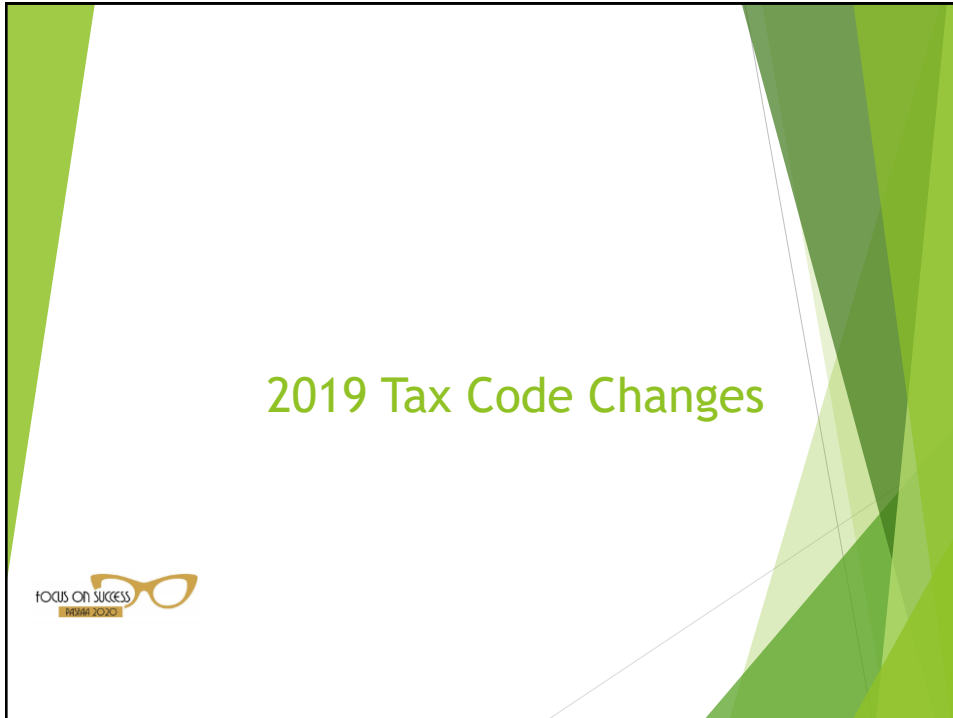
## Schedule 1 – Disqualifiers

At any time during 2019, did you receive, sell, send, exchange, or otherwise acquire any financial interest in any virtual currency?		Yes	No
<b>Part I Additional Income</b>			
1	Taxable refunds, credits, or offsets of state and local income taxes		
2a	Alimony received		
b	Date of original divorce or separation agreement (see instructions)		
3	Business income or (loss). Attach Schedule C		30,000
4	Other gains or (losses). Attach Schedule E		
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E		
6	Farm income or (loss). Attach Schedule F		
7	Unemployment compensation		
8	Other income. List type and amount	See Statement	1,976
9	Combine lines 1 through 8. Enter here and on Form 1040 or 1040-SR, line 7a		
<b>Part II Adjustments to Income</b>			
10	Educator expenses		
11	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106		
12	Health savings account deduction. Attach Form 8889		
13	Moving expenses for members of the Armed Forces. Attach Form 3903		
14	Deductible part of self-employment tax. Attach Schedule SE		
15	Self-employed SEP, SIMPLE, and qualified plans		5,454
16	Self-employed health insurance deduction		
17	Penalty on early withdrawal of savings		
18a	Alimony paid		
b	Recipient's SSN		
c	Date of original divorce or separation agreement (see instructions)		
19	IRA deduction		
20	Student loan interest deduction		
21	Tuition and fees. Attach Form 8917		4,000
22	Add lines 10 through 21. These are your adjustments to income. Enter here and on Form 1040 or 1040-SR, line 8a		



- Other income (line 8)
  - The only non-disqualifying values are \$1,606 and \$3,212
- Even though this is a verification element, it is a disqualifying line item
- Tuition and Fees Deduction 😞

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22



23



24

## 2019 Tax Code Changes

Tax Issue	Change
Alimony	<ul style="list-style-type: none"> <li>▪ Alimony agreements executed before January 1, 2019               <ul style="list-style-type: none"> <li>▪ The <b>payer may deduct the alimony</b> from their taxable income</li> <li>▪ The <b>recipient must report the alimony</b> as taxable income</li> </ul> </li> <li>▪ Alimony agreements executed on or after January 1, 2019               <ul style="list-style-type: none"> <li>▪ The <b>payer does not deduct the alimony</b> from their taxable income</li> <li>▪ The <b>recipient does not include the alimony</b> as taxable income</li> </ul> </li> </ul>
Virtual Currency	<ul style="list-style-type: none"> <li>▪ Taxpayers must report whether they transacted in virtual currency during the tax year in a new question on Schedule 1</li> </ul>
The Tuition & Fees Deduction is Back	<ul style="list-style-type: none"> <li>▪ The tuition and fees deduction is back for 2019 <i>and</i> 2018</li> </ul>
The “kiddie tax” calculation returns to its 2017 version	<ul style="list-style-type: none"> <li>▪ In 2018 &amp; 2019, the kiddie tax was assessed at the same tax rates as trusts. This increased the tax that survivors of deceased servicepersons and recipients of taxable scholarships paid from low income homes paid</li> <li>▪ Taxpayers may amend their 2018 and/or 2019 returns if their income tax was higher using the trust tax tables than it would have been if the treatment had not changed</li> </ul>

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24

## Tax Code Changes – Schedule 1

At any time during 2019, did you receive, sell, send, exchange, or otherwise acquire any financial interest in any virtual currency?  Yes  No

Part I Additional Income		
1	Taxable refunds, credits, or offsets of state and local income taxes . . . . .	1
2a	Alimony received . . . . .	2a
b	Date of original divorce or separation agreement (see instructions) ▶	
3	Business income or (loss). Attach Schedule C . . . . .	3
4	Other gains or (losses). Attach Form 4797 . . . . .	4
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E . . . . .	5
6	Farm income or (loss). Attach Schedule F . . . . .	6
7	Unemployment compensation . . . . .	7
8	Other income. List type and amount ▶	8
9	Combine lines 1 through 8. Enter here and on Form 1040 or 1040-SR, line 7a . . . . .	9
Part II Adjustments to Income		
10	Educator expenses . . . . .	10
11	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 . . . . .	11
12	Health savings account deduction. Attach Form 8889 . . . . .	12
13	Moving expenses for members of the Armed Forces. Attach Form 3903 . . . . .	13
14	Deductible part of self-employment tax. Attach Schedule SE . . . . .	14
15	Self-employed SEP, SIMPLE, and qualified plans . . . . .	15
16	Self-employed health insurance deduction . . . . .	16
17	Penalty on early withdrawal of savings . . . . .	17
18a	Alimony paid . . . . .	18a
b	Recipient's SSN . . . . .	
c	Date of original divorce or separation agreement (see instructions) ▶	
19	IRA deduction . . . . .	19
20	Student loan interest deduction . . . . .	20
21	Tuition and fees. Attach Form 8917 . . . . .	21
22	Add lines 10 through 21. These are your <b>adjustments to income</b> . Enter here and on Form 1040 or 1040-SR, line 8a . . . . .	22

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- Taxpayers must inform the IRS whether they transacted in virtual currency or not
  - “Yes” is an asset indicator
- The tuition and fees deduction is back for 2019 and 2018

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25

## Tax Code Changes – Alimony

At any time during 2019, did you receive, sell, send, exchange, or otherwise acquire any financial interest in any virtual currency?  Yes  No

Part I Additional Income		
1	Taxable refunds, credits, or offsets of state and local income taxes . . . . .	1
2a	Alimony received . . . . .	2a
b	Date of original divorce or separation agreement (see instructions) ▶	
3	Business income or (loss). Attach Schedule C . . . . .	3
4	Other gains or (losses). Attach Form 4797 . . . . .	4
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E . . . . .	5
6	Farm income or (loss). Attach Schedule F . . . . .	6
7	Unemployment compensation . . . . .	7
8	Other income. List type and amount ▶	8
9	Combine lines 1 through 8. Enter here and on Form 1040 or 1040-SR, line 7a . . . . .	9
Part II Adjustments to Income		
10	Educator expenses . . . . .	10
11	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 . . . . .	11
12	Health savings account deduction. Attach Form 8889 . . . . .	12
13	Moving expenses for members of the Armed Forces. Attach Form 3903 . . . . .	13
14	Deductible part of self-employment tax. Attach Schedule SE . . . . .	14
15	Self-employed SEP, SIMPLE, and qualified plans . . . . .	15
16	Self-employed health insurance deduction . . . . .	16
17	Penalty on early withdrawal of savings . . . . .	17
18a	Alimony paid . . . . .	18a
b	Recipient's SSN . . . . .	
c	Date of original divorce or separation agreement (see instructions) ▶	
19	IRA deduction . . . . .	19
20	Student loan interest deduction . . . . .	20
21	Tuition and fees. Attach Form 8917 . . . . .	21
22	Add lines 10 through 21. These are your <b>adjustments to income</b> . Enter here and on Form 1040 or 1040-SR, line 8a . . . . .	22

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- The deductibility of alimony payments and the taxability of alimony income now depends on the date of the alimony agreement

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26

## Treatment of Tax-exempt Alimony

	Alimony Agreement Entered into* before January 1, 2019	Alimony Agreement Entered into* on or after January 1, 2019
Alimony Received	Included in AGI	Not included in AGI <ul style="list-style-type: none"> <li>Speculation: I believe untaxed alimony should be reported as "other untaxed income"</li> </ul>
Alimony Paid	Reflected in AGI	Not reflected in AGI <ul style="list-style-type: none"> <li>Speculation: I believe alimony paid that is not reflected in the AGI should be ignored unless the aid officer uses Professional Judgment</li> </ul>

\*If the alimony agreement was entered into before January 1, 2019 but modified after, and if the modification specifically states that the new tax treatment of alimony applies, the 2019 rules can apply to divorces that were finalized in 2018 and earlier

27

This slide is a speculative argument and is not based on guidance from the Department of Education. The information on this slide may be incorrect.

## Untaxed Alimony and the FAFSA

<p><b>(b) Untaxed income and benefits</b></p> <p>(1) The term "untaxed income and benefits" means—</p> <p>(A) child support received;</p> <p>(B) workman's compensation;</p> <p>(C) veteran's benefits such as death pension, dependency, and indemnity compensation, but excluding veterans' education benefits as defined in subsection (c);</p> <p>(D) interest on tax-free bonds;</p> <p>(E) housing, food, and other allowances (excluding rent subsidies for low-income housing) for military, clergy, and others (including cash);</p> <p>92. Parents' 2019 Untaxed Income (Enter the amounts for your parent[s]).</p> <p>h. Other untaxed income not reported in items 92a through 92g, such as workers' compensation, disability benefits, untaxed foreign student loans, and other untaxed income not reported in items 92a through 92g, except for dependent students, funds provided by the student's parents;</p> <p>(F) cash support or any money paid on the student's behalf, except, for dependent students, funds provided by the student's parents;</p> <p>(G) untaxed portion of pensions;</p> <p>(H) payments to individual retirement accounts and Keogh accounts excluded from income for Federal income tax purposes; and</p> <p>(I) any other untaxed income and benefits, such as Black Lung Benefits, Refugee Assistance, or railroad retirement benefits, or benefits received through participation in employment and training activities under title I of the Workforce Innovation and Opportunity Act [29 U.S.C. 3111 et seq.].</p>	<p>The definition of "untaxed income" includes "any other untaxed income and benefits"</p>
<p>(2) The term "untaxed income and benefits" shall not include—</p> <p>(A) the amount of additional child tax credit claimed for Federal income tax purposes;</p> <p>(B) welfare benefits, including assistance under a State program funded under part A of title IV of the Social Security Act [42 U.S.C. 601 et seq.] and aid to dependent children;</p> <p>(C) the amount of earned income credit claimed for Federal income tax purposes;</p> <p>(D) the amount of credit for Federal tax on special fuels claimed for Federal income tax purposes;</p> <p>(E) the amount of foreign income excluded for purposes of Federal income taxes; or</p> <p>(F) untaxed social security benefits.</p>	

- Alimony is not included in the list of items that are not reported as untaxed income

See 20 USC CHAPTER 28, SUBCHAPTER IV, Part F: Need Analysis

28

This slide is a speculative argument and is not based on guidance from the Department of Education. The information on this slide may be incorrect.

## Untaxed Alimony and the FAFSA

- Alimony paid is not listed as “excludable income” in the legislation
  - These are called “additional financial information” on the FAFSA
- Therefore, I believe that alimony payments that are not included in the AGI should not be reported as an exclusions unless the aid officer uses Professional Judgment to remove it

### (e) Excludable income

The term “excludable income” means—

- any student financial assistance awarded based on need as determined in accordance with the provisions of this part, including any income earned from work under part C of this subchapter;
- any income earned from work under a cooperative education program offered by an institution of higher education;
- any living allowance received by a participant in a program established under the National and Community Service Act of 1990 [42 U.S.C. 12501 et seq.];
- child support payments made by the student or parent;
- payments made and services provided under part E of title IV of the Social Security Act [42 U.S.C. 670 et seq.]; and
- special combat pay.

91. Parents' 2019 Additional Financial Information (Enter the amounts for your parent[s].)

b. Child support paid because of divorce or separation or as a result of a legal requirement. **Don't include** support for children in your parents' household, as reported in question 72.

See [20 USC CHAPTER 28, SUBCHAPTER IV, Part F: Need Analysis](#)

29



Thank You PASFAA!

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30

## Three Year FAFSA – Tax Forms Matrix

	2017	2018	2019
Adjusted Gross Income (AGI)	Form 1040, Line 37	Form 1040, line 7	Form 1040, line 8b
US Income Tax Paid	Form 1040, Line 56 minus Line 46	Form 1040, line 13 minus Schedule 2, line 46	Form 1040, line 14 minus Schedule 2, line 2
Untaxed Portions of IRA Distributions	Form 1040, Line 15a minus line 15b, Exclude Rollovers	Form 1040, Line 4a minus line 4b Exclude Rollovers	Form 1040, Line 4a minus line 4b, Exclude Rollovers
Untaxed Portions of Pensions	Form 1040, Line 16a minus line 16b, Exclude Rollovers		Form 1040, Line 4c minus line 4d, Exclude Rollovers
IRA Deductions and Payments	Form 1040, Line 28 plus line 32	Schedule 1, Line 28 plus Schedule 1, line 32	Schedule 1, Line 15 plus Schedule 1, line 19
Tax Exempt Interest	Form 1040, Line 8b	Form 1040, line 2a	Form 1040, line 2a
Education Credits	Form 1040, Line 50	Schedule 3, line 50	Schedule 3, line 3

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31

## Three Year FAFSA – Tax Forms Matrix

	Other Items	2017	2018	2019
<b>Income Earned from Work</b>	Wages, Salaries, Tips	Form 1040, Line 7	Form 1040, line 1	Form 1040, line 1
	Schedule C Business Income	Form 1040, line 12	Schedule 1, Line 12	Schedule 1, line 3
	Schedule F Farm Income	Form 1040, line 18	Schedule 1, Line 18	Schedule 1, line 6
	Partnership Income	The fourth component of the income earned from work questions comes from box 14 of Schedule K-1 (Form 1065), preceded by a code of "A". Only taxpayers who own partnerships and are not simply investors will have this kind of income. If there is any partnership income of this kind, then there will be a numerical figure on the following tax lines (i.e. they will not be blank).*		
		Form 1040, Line 17	Schedule 1, line 17	Schedule 1, line 5
	Health Savings Account Deduction	Form 1040, Line 25	Schedule 1, line 25	Schedule 1, line 12

\*A figure on the relevant line indicates that partnership income is a possibility. Review Schedule E to confirm the existence of a partnership.

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32