



Highlights of [GAO-03-821](#), a report to the Committee on Finance, U.S. Senate

TAXPAYER INFORMATION

Increased Sharing and Verifying of Information Could Improve Education's Award Decisions

Why GAO Did This Study

Data sharing can be a valuable tool for federal agencies in determining applicants' eligibility for benefit and loan programs. Congress has authorized the Department of Education, among others, to have limited access to federal taxpayer information collected by the Internal Revenue Service (IRS). Likewise, IRS is able to use personal information collected by outside sources to better ensure that taxpayers are meeting their tax obligations.

GAO was asked to determine whether Education uses taxpayer information to verify information provided by student aid applicants, and the benefits of increasing data verification activities, and whether IRS uses personal information maintained by Education to ensure that taxpayers meet their tax obligations, and the benefits of increasing these activities.

What GAO Recommends

GAO is not making any recommendations. However, earlier this year GAO recommended that Congress consider legislation to authorize IRS to release individual income data to Education so that Education could verify income on student aid applications. The IRS Commissioner and Education's Chief Operating Officer of Federal Student Aid raised no concerns in commenting on a draft of this report. The Chief Operating Officer said Education would continue to support a legislative change.

www.gao.gov/cgi-bin/getrpt?GAO-03-821.

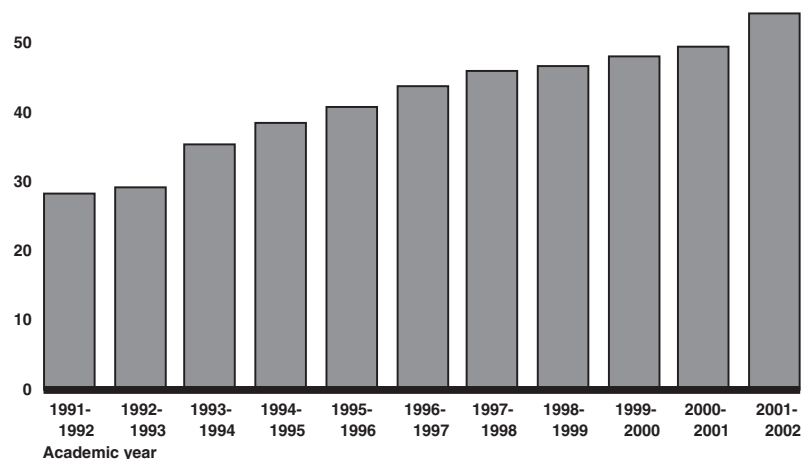
To view the full report, including the scope and methodology, click on the link above. For more information, contact Michael Brostek at (202) 512-9039 or brostekm@gao.gov.

What GAO Found

Education uses taxpayer information for several purposes, such as locating loan defaulters; researching and computing statistical data on overall borrower debt; and, upon taxpayers' consent, determining loan repayment amounts. However, Education is not authorized to directly receive taxpayer information from IRS to verify eligibility for student financial aid provided under Title IV of the Higher Education Act of 1965 (HEA). In academic year 2001-02, 11.4 million students applied for \$54 billion in aid.

Total Title IV Federal Student Aid Dollars from Academic Years 1991-92 to 2001-02 (in Constant Dollars)

60 Dollars in billions



Source: The College Board, *Trends in Student Aid 2002*, Washington, D.C.

A 1998 amendment to HEA was intended to authorize the matching of student aid applicant information with several elements of federal income tax return information. However, HEA could not be used as intended because Internal Revenue Code Section 6103 was not specifically amended so that Education and its contractors, which assist Education in administering the various financial aid programs, could have access to taxpayer information. Based on a study that matched Education data and IRS income information, Education estimates that it made approximately \$602 million in grant overpayments during fiscal years 2001 and 2002.

IRS does not use personal information collected from applicants and maintained by Education to ensure that taxpayers meet their tax obligations because IRS officials believe the taxpayer information IRS receives is more accurate. In general, IRS officials' views are supported by IRS's past estimates of taxpayers' levels of compliance and by the results of Education's studies and investigations. For example, in the mid-1990s, IRS estimated that taxpayers with only wage income had a 99 percent voluntary compliance rate and taxpayers with interest and dividend income were 95 percent compliant in reporting this income. However, Education's student aid application data are not suited to IRS's tax administration purposes because the applications ask students and/or their parents to report data that come directly from their tax returns.