

*Because students sometimes make errors on their application, colleges have procedures for verifying the reported information. The regulations include this verification as part of the FSA program requirements. The Department only requires that a portion of the FAFSA filers at your school be verified, as selected by the Central Processing System. However, you also have the authority—and may be required—to verify additional students.*

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Verification concerns applicants for most FSA programs, but it isn't required if the student will only receive a parent or graduate PLUS loan or an unsubsidized Stafford loan, because these loans are not based on the EFC. However, a student can't avoid verification by choosing to borrow an unsubsidized loan instead of a subsidized loan. If he tries to do this, the school is to continue with verification.

## REQUIRED POLICIES

Your school must have written policies and procedures on the following verification issues:

- deadlines for students to submit documentation and consequences of the failure to meet those deadlines,
- a method of notifying students of award changes due to verification,
- required correction procedures for students, and
- standard procedures for referring overpayment cases to the Department.

Additionally, the school must give each applicant selected for verification a written statement explaining the following:

- **Documents required for verification.**
- **Student responsibilities**—including correction procedures, the deadlines for completing any actions required, and the consequences of missing the deadlines.
- **Notification methods**—how your school will notify a student if her award changes as a result of verification, and the time frame for such notification.

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## Required Verification Items:

34 CFR 668.56

1. Household size
2. Number in college
3. Adjusted gross income (AGI)
4. U.S. taxes paid
5. Certain types of untaxed income and benefits:
  - Child support
  - IRA/Keogh deductions
  - Interest on tax-free bonds
6. All other untaxed income included on the U.S. income tax return, excluding information on the schedules

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## Verification regulations

34 CFR 668, Subpart E

Required policies—34 CFR 668.53

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## Online verification assessment module

<http://ifap.ed.gov/qahome/qaassessments/fsaverification.html>

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### Quality Assurance Program

Under the Title IV Quality Assurance (QA) Program, participating schools develop and implement a quality improvement approach to FSA program administration and delivery. QA schools are exempt from certain administrative and procedural requirements, including some verification requirements, though they are not exempt from resolving conflicting information. The QA Program provides QA schools with an alternative management approach to develop verification that fits their population. Currently, QA schools use the ISIR Analysis (IA) Tool to analyze the effectiveness of their institutional verification program. The tool shows which application elements changed when verified and reveals the impact that those changes have on the EFC. This tool is available to all schools on the main menu of FAA Access to CPS Online. See Volume 2: School Eligibility and Operations for more information.

### APPLICATIONS TO BE VERIFIED

Applications are selected for verification either by the CPS or by the school. Under certain circumstances, a CPS-selected application may be excluded from required verification (see “30% Verification Option” and “Verification Exclusions” below).

Students’ output documents show if their application was chosen by the CPS: the verification flag, which is in the *Financial Aid Office Use Only* section with the match flag results, will have a value of “Y.” Also, next to the EFC will be an asterisk referring to a comment in the student section of page 1 that tells applicants they will be asked by their schools to provide copies of certain financial documents.

A school must verify any application information that it has reason to believe is incorrect [34 CFR 668.54(a)(3)] or discrepant [34 CFR 668.16(f)]. Students with these applications are considered to be selected for verification by the school even though it may not be verifying the same data as for CPS-selected applications.

The school may also select additional applications for verification beyond those required, and in these cases the school decides which items to verify: it can choose any that must be verified on CPS-selected applications, or it can choose different items.

Regardless of whether the CPS or the school selected the application for verification, all other verification requirements, such as deadlines and allowable tolerances and interim disbursement rules, apply equally to all students who are being verified.

If you want to learn more about verification results, you can use the ISIR Analysis Tool, which provides a variety of reports and analyses using current Web technology. The reports it generates can help you identify potentially faulty applications that discretionary verification or the CPS edits might be missing. They can also help you develop discretionary verification edits that focus on student changes that affect the EFC and Pell eligibility. See “Program Integrity” in the *School Eligibility and Operations* volume.

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### 30% Verification option

34 CFR 668.54(a)(2)

#### 30% Verification option

A school must verify all applications the CPS selects for verification, up to 30% of the school’s total number of federal aid applicants in an award year. The school may choose to verify more than 30%, and if the CPS selects less than that, the school isn’t required to reach 30%; it is not a quota. Applications a school selects and those with conflicting information don’t count toward the 30% level.

Schools have the flexibility to define “applicant.” For example, it can be anyone who applies to the school (i.e., they need not be enrolled), anyone who is enrolled, or, even more narrowly, anyone enrolled who is also eligible to receive an aid award. Whatever definition your school uses, the students you count toward the 30% limit must meet that definition.

### 30% Verification Examples

Frisson College has 1,000 applicants for federal student aid. The CPS selected 475 of the applications for verification. Bennet also selected 100 other applications based on its own criteria. To meet the 30% level, Bennet needs to verify at least 300 applications from the 475 the CPS selected; the 100 Bennet selected don't count toward the 30% requirement.

Brust Conservatory has 1,000 applicants for federal student aid, and the CPS selected 289 of the applications for verification. Brust must verify all 289 applications because that number isn't more than 30% of the total applicants, but it does not have to select 11 more applications to reach 30%.

Benoit Institute has 1,000 applicants for federal student aid, of which the CPS selected 300 for verification. Also, the school identified 40 additional applications as having conflicting information that Benoit must resolve. However, because the resolution of conflicting information is separate from CPS-selected verification, these 40 applications don't count toward the 30% level. Benoit must also verify all 300 applications that were selected for verification, because this number isn't more than 30% of the total applicants for federal student aid.

The verification tracking flag on the ISIR uses a four-digit number to prioritize applicants—the higher the number, the greater the potential for significant error. If you use the 30% option, this field will help you rank and choose applications for verification that potentially have the most significant mistakes.

### Verification exclusions

A selected application may be exempt from some or all of the verification requirements due to unusual circumstances. Except in the case of the student's death, however, none of these exemptions excuse the school from the requirement to resolve conflicting information.

→ **Incarceration.** A selected application does not have to be verified if the student is in jail or prison at the time of verification.

→ **Recent immigrant.** A selected application does not have to be verified if the student is an immigrant who arrived in the United States during calendar years 2009 or 2010.

→ **Spouse unavailable.** A school isn't required to verify spousal information (or to obtain the appropriate signature for verification purposes) if any of the following conditions apply:

- The spouse is deceased or mentally or physically incapacitated.
- The spouse is residing in a country other than the United States and can't be contacted by normal means.
- The spouse can't be located because his or her address is unknown, and the student can't obtain it.

You should document the basis for the exclusion. Because this exemption only applies to the spouse's data, the application must still be verified according to all other requirements.

### Verification exclusions

34 CFR 668.54(b)

In addition to unsubsidized Stafford Loans and PLUS Loans, verification is not required—

- for Stafford Loans (subsidized or unsubsidized) received for study at eligible foreign schools.
- for the TEACH Grant Program
- for the Leveraging Educational Assistance Partnership (LEAP) and SLEAP (Special LEAP) Programs.
- for the Robert C. Byrd Honors Scholarship Program.

Also note that schools participating in the Quality Assurance Program can develop verification procedures different than those specified in the FSA regulations.

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### Immigrant example

Hector arrives in the United States in February 2009 and begins attending Guerrero University in September 2009. His 2009–10 application is selected for verification. Guerrero determines that it doesn't have to verify Hector's application because he arrived during the 2009 calendar year.

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### Spouse unavailable example

Ursula is attending Lem Community College, and her application is selected for verification. She provided her husband's information on the application, but now explains that her husband has recently moved out, and she can't locate him. Ursula also gives Lem some documents to show that she's tried to locate her husband. Lem determines that Ursula doesn't need to provide verification of her husband's tax and income information, but still needs to verify her own information.

→ *Parents unavailable.* You don't have to verify a dependent student's application if any of the following conditions apply:

- The student's parents are deceased or mentally or physically incapacitated. (If both parents are dead, the student is an orphan and thus is an independent student. If the parents die after the student has applied, the student must update his or her dependency status, as discussed in Chapter 5.)
- The parents are residing in a country other than the United States and can't be contacted by normal means.
- The parents can't be located because their address is unknown, and the student can't obtain it.

→ *Death of the student.* If you make an interim disbursement during verification and the student dies before it is completed, you don't have to continue verification to justify the first disbursement. You can't make any additional disbursements, except for FWS funds already earned, to any of the student's beneficiaries. You cannot originate a Direct loan, certify a FFEL, or deliver proceeds from either one for the student's beneficiaries. For more information see Chapter 2 of Volume 5.

→ *Applicant verified by another school.* You don't have to verify the selected application of a student who completed verification for the current award year at another school before transferring. However, to document a student's eligibility for this exclusion, you must get a letter from the school that completed the verification. The letter must include:

- a statement that the student's application data have been verified,
- the transaction number of the verified application, **and**
- if relevant, the reasons why the school was not required to recalculate the student's EFC (for example, the application errors may have been within the allowable tolerance—see "Verification tolerance," page 94).

→ *Pacific Island resident.* You don't have to verify the selected application of a student who is either

- a legal resident of Guam, American Samoa, or the Commonwealth of the Northern Mariana Islands, or
- a citizen of the Republic of the Marshall Islands, the Federated States of Micronesia, or the Republic of Palau.

To qualify for this exclusion, a dependent student's parents must also meet the same criteria. As documentation, you should note the permanent mailing address in the student's file.

→*Not an aid recipient.* You don't have to verify a student who won't receive FSA for reasons other than his failure to complete verification. This category includes students ineligible for aid from the FSA programs and those who withdraw without receiving aid.

## REQUIRED VERIFICATION ITEMS

If the CPS selects an application for verification, you must verify five major data elements:

- household size,
- number enrolled in college,
- adjusted gross income (AGI),
- U.S. income tax paid, and
- certain untaxed income and benefits.

In addition to verifying these required items for CPS-selected students, you can choose to verify any other application items, requiring any reasonable documentation, in accordance with consistently applied institutional policies. You may decide which students must provide documentation for any additional data elements and what constitutes acceptable documentation.

### **General documentation requirements and the verification worksheets**

This chapter includes the verification worksheets developed by the Department. Master copies are available on the IFAP website at [www.ifap.ed.gov](http://www.ifap.ed.gov), and you may reproduce as many as you need. When a student completes a verification worksheet and attaches the appropriate tax forms or alternative documents, you will usually have enough information to complete verification.

However, you're not required to use the verification worksheets. Your school may use its own worksheet or none at all. You may require other documentation in addition to or instead of a completed verification worksheet. The chart on page 87 shows other forms of acceptable documentation for each required verification item.

If you require students to complete verification worksheets, you must provide the appropriate (dependent or independent) worksheets to the selected students. You should remind your students that they must submit the completed worksheet and copies of the relevant income tax returns or alternative documents to your financial aid office, not to the Department of Education.

When you receive the student's submission, you should make sure that the worksheet is signed, that all required sections are completed, and that the relevant tax returns or alternative documents are attached. As explained later in this section, copies (such as

## Required verification items

34 CFR 668.56(a)

### Timing of signature

Any required signatures, such as signatures on worksheets or on copies of tax returns, must be collected at the time of verification—they can't be collected after the verification deadline for that award year.

### Verification following disasters

Dear Colleague Letter GEN-04-04 gives general guidance for when federally-declared disasters affect the awarding of aid. The DCL states that the Secretary will not enforce the verification requirements during the award year for applicants whose records were lost or destroyed because of a disaster. The school must document when it does not perform verification for this reason and use status code "S" when reporting the disbursement of Pell grants to affected students.

### HEROES Act modifications

The Higher Education Relief Opportunities for Students (HEROES) Act provides for the modification and waiving of some statutory and regulatory provisions related to students who receive financial aid and who are on active duty during a war or other military operation or who reside or are employed in a declared disaster area. These adjustments apply to return of funds and signature requirements for verification and application, among other things. These waivers and modifications were due to expire on September 30, 2007, but on that date the law—and with it the Secretary's authority to issue the waivers and modifications—was made permanent. As a result, the above actions will remain in effect until September 30, 2012, unless the Secretary ends or changes them before then. For all the details on the Act and a list of the eligible students, see pages 69312–69318 of the Federal Register dated December 12, 2003.



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**Household size documentation and exceptions**

Student assistance general provisions  
34 CFR 668.57(b)  
34 CFR 668.56(a)(3), (b), (c)

photocopies, faxes, digital images) of worksheets, tax returns, or other documents are acceptable. Unless specifically noted in this chapter, a signature on a copy is as valid as an original signature (i.e., a handwritten or “wet” signature). After checking the documentation against the student’s application data, you may either disburse the student’s award or make the necessary corrections and updates. (See “After documentation is complete,” page 94.)

***Household size***

Steps 4 and 5 in Chapter 2 discuss household size. If the student completed the Department’s verification worksheet, no further documentation for this item is required. Instead of the worksheet, you may accept a statement signed by the student (and, for dependent students, at least one of the parents) listing the names of the household members, their ages, and their relationship to the student.

You don’t have to verify household size if any of the following apply:

- it’s the same as reported and verified in the previous award year.
- you receive the student’s ISIR or SAR within 90 days after the date the application was signed.
- for a dependent student, the household size reported for married parents is three—or two if the parent is single, divorced, separated, or widowed.
- the household size reported for a married independent student is two—or one if the student is single, divorced, separated, or widowed.

***Number enrolled in college***

If the student completes the Department’s verification worksheet, no further documentation for this item is required. Instead of the worksheet, you may accept a statement signed by the student (and at least one of the student’s parents, for dependent students). The statement can be combined with the statement verifying household size and should include the names and ages of those enrolled and the names of the schools they plan to attend. If you have reason to doubt the enrollment information reported, you should require the student to obtain documentation from the other students and schools listed. (If other students in the family haven’t enrolled yet, documentation from the other schools may not be available.)

You don’t have to verify the number enrolled in college if any of the following conditions apply:





- the reported number enrolled is one (the student only).
- you receive the student’s ISIR or SAR within 90 days after the date the application was signed.

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**Number in college—documentation and exceptions**

Student assistance general provisions  
34 CFR 668.57(c)  
34 CFR 668.56(a)(4), (b), (d)

## Acceptable Documentation

	<i>Verification Worksheet &amp; Tax Return(s)</i>	<i>Other Documentation in lieu of Worksheet or Tax Return (see the text for details)</i>
<i>Household Size</i>		Signed statement
<i>Number Enrolled</i>		Signed statement or institutional certification
<i>AGI &amp; Taxes Paid</i>		IRS tax transcript, other signed IRS forms with tax data, Form W-2, Form 4868, or a signed statement
<i>Untaxed Income &amp; Benefits</i>		Signed statement or official agency documentation

- the family members the student lists are enrolled at least half time at your school, and you have confirmed their enrollment through your school’s own records.

### **Adjusted gross income (AGI) and U.S. income tax paid**

You can usually verify AGI and U.S. income tax paid by getting a copy of the signed U.S. income tax return. The tax documents needed for verification may depend on the filing method—electronic or paper. Documents must have the signatures (or preparer’s stamp or other official validation) and data required for verification. If all necessary data are not present, the student must provide additional documentation as described in this section.

To verify AGI and taxes paid, you must first identify everyone whose financial data was reported on the FAFSA and which tax returns, if any, they filed. You must check the tax returns for anyone whose financial data were reported on the FAFSA: the student and his spouse or parents if applicable. They should have reported on the FAFSA either what tax return they filed or that they were not required to file a return. The type of form reported on the FAFSA should match what the student and parents actually filed.

The AGI figures reported on the FAFSA should always match the AGI figures that appear on the tax return, unless the FAFSA amount has been adjusted from a joint return due to divorce, separation, or professional judgment (see “Using a joint return to figure individual AGI and taxes paid,” page 86). If the figures don’t match, a correction may be needed, as discussed later in this chapter. For more information on how specific types and special categories of income should be reported on the FAFSA, see Chapter 2.

### **AGI and income tax documentation**

34 CFR 668.57(a)

### **FAFSA tax return questions**

For students, the tax return questions are 33–35 on the FAFSA. For parents, the tax return questions are 82–84.

## Tax documents: special situations and alternatives

There are certain situations, such as when the student filed a tax return electronically or earned foreign income, when the school may need to do something other than examine a 1040, 1040A, or 1040EZ form.

### Electronic filing (e-file)

The IRS e-file program comprises two electronic filing methods. The taxfiler can go to an e-file provider who will send the return to the IRS, or he can use tax filing software on a home computer for submission to the IRS. The filer should always receive a paper copy of the return in some format. Software used on a home computer may allow the tax filer to print out a standard 1040, 1040A, or 1040EZ form that contains the information that was filed electronically. The e-file provider might print out a copy of the return using its own format. Any of these paper copies of the return are acceptable documentation for verification as long as they are signed by at least one of the tax filers. (When an electronic tax return is filed, the filer also submits IRS Form 8453, which doesn't have enough information and can't be used for verification.)

Returns in the e-file provider's format might not contain every line item, showing instead only the data the tax filer provided. For example, if Item 8a, "Taxable interest income," does not appear on such a return, that means no taxable interest income was reported.

### Non-filers

An AGI figure won't be available for someone who isn't required to file a tax return. A non-filer would instead report on the FAFSA income earned from work, which includes any income reported on the individual's W-2 forms plus any other earnings from work not reported on those forms. Even if no taxes were paid on this income earned from work, it **should not** be reported as untaxed income on the FAFSA.

A properly completed federal verification worksheet sufficiently documents income earned from work. No further documentation is required. If the student doesn't complete a verification worksheet, the school must require from each non-filer a signed statement certifying his or her non-filer status and listing the sources and amounts of income.

Financial aid professionals are not expected to have special knowledge or expertise regarding the U.S. tax code. If someone whose data were required on the FAFSA submits a signed statement claiming non-filer status and you have reason to believe that person would have been required to file a U.S. tax return, this constitutes conflicting information and must be resolved. (For more on conflicting information, see Chapter 5.) For example, in such a case, you might require a letter from the IRS, a copy of the applicable tax provision, or other documentation supporting the claim to nonfiler status. **Conflicting information must be resolved before you can disburse federal student aid.**

### Filing extensions

If any of the persons required to report information on the FAFSA will file but hadn't filed a tax return at the time of application, they would have used an estimated AGI on the FAFSA. At the time of verification, the necessary tax returns should have been filed and must be used for verification. If a return hasn't been filed by then and a filing extension was granted by the IRS, the school shall accept as alternative documentation copies of the W-2 forms, and, as proof that the IRS has granted a filing extension, either a copy of IRS Form 4868—Application for Automatic Extension of Time to File U.S. Individual Income Tax Return (automatically grants the taxpayer a six-month extension beyond the April 15 deadline) or a copy of the IRS approval of an extension beyond the automatic six-month extension.

In addition to supplying the above documentation, the student must submit a copy of the tax returns when filed. When you receive the completed tax returns, you may use them to re-verify the required data. A student who fails to submit a copy of the filed tax return or alternative documents before the deadline for verification is ineligible for FSA funds and is required to repay any aid disbursed.



**Fiscal year tax returns**

For a fiscal year return, as opposed to one for the calendar year, the student should report the AGI and U.S. income tax paid from the return that includes the greater number of months in the base year (see Chapter 2 for an example). Accordingly, you should use the tax return from that fiscal year for verification purposes.

**Nonresident filers**

1040NR is a special return filed by certain nonresidents, mostly individuals holding temporary visas (such as an F-1 or H-1). Such persons are neither permanent residents nor U.S. citizens. The 1040NR is acceptable documentation for verification purposes.

**Foreign income**

As noted in Step 2 in Chapter 2, information from non-IRS tax returns would be reported on the FAFSA, with the value of the foreign income and taxes reported in U.S. dollars, using the exchange rate at the time of application. For verification purposes, these returns would be considered equivalent to an IRS Form 1040. If the student (or the student's parents) earned foreign income but did not pay any taxes on that income, it should be reported as untaxed income.

**If a tax return isn't available**

If a copy of the tax return is not available, the student must instead submit a copy of any IRS form that lists tax information and provides the information needed for verification. The form **must** be signed by the student unless the IRS sent the form directly to the school.

A common form is the tax transcript. A student can order one by calling the IRS at 1-800-829-1040 and following the directions below or by completing and mailing Form 4506-T, Request for Transcript of Tax Return. If the transcript does not have as much financial information as the tax return, the student may have to provide additional documents to complete verification.

If the IRS can't provide a copy of the return or any form with tax account information, you must get a copy of the W-2 unless the filer is self-employed or a W-2 is otherwise unavailable; in those cases you can accept a signed statement from the filer certifying that his or her income and other appropriate information is correct.

**Obtaining a tax transcript or a copy of a return**

If a person wants a copy of a return, she must complete and mail a Form 4506; if she wants a tax transcript, she can either submit a Form 4506-T or she can call 1-800-829-1040 and use the automated system to request one. The steps in the automated system are generally: choose the option for "personal tax account," enter the SSN or EIN, choose "transcripts," enter the numbers of one's street address, and enter the year of the return requested.

Citations: 34 CFR 668.57(a)(4)(i)  
34 CFR 668.57(a)(2)  
34 CFR 668.57(a)(4)(ii), (a)(5)

The chart on page 91 shows the tax form line numbers for the most commonly reported items. This chart is a reference only; it is not a list of all the items the school must check on a tax return.

For verification purposes, you can accept a copy (such as a photocopy, fax, or digital image) of the original signed return filed with the IRS. If a fax, photocopy, or other acceptable copy was made of an unsigned return, the filer (or at least one of the filers of a joint return) must sign the copy. You can accept a tax form that has been completed to duplicate the filed return; this duplicate must contain at least one filer's signature. And you can also accept an electronic copy of the return that has been electronically signed by the person to whom the document belongs, provided your school's process for accepting an electronic signature complies with the E-Sign Act. But a signature on Form 8879, the IRS e-file Signature Authorization, is not an acceptable substitute for a signature on the tax return.

Instead of a return the filer has signed, you may accept a paper return on which the tax preparer has stamped, typed, signed, or printed her name (not the name of her company) and her SSN, EIN (Employer Identification Number), or PTIN (Preparer Tax Identification Number). You may also accept a copy of an IRS form with tax information that the IRS mailed directly to your school (otherwise at least one of the filers must sign the form). Documents from electronic returns must be signed by the filer as explained on page 82. In some cases you can waive the requirement for spouse information and signatures (see "Verification exclusions," page 83).

### ***Untaxed income and benefits***

The term "untaxed income" means any income excluded from federal income taxation under the IRS code. For an application selected for verification, you must verify up to three specific types of untaxed income and benefits:

- child support,
- IRA/Keogh deductions, and
- interest on tax-free bonds.

In addition, you must verify all other untaxed income reported on the U.S. individual income tax return (excluding schedules). Chapter 2 discusses the untaxed income and benefits that must be reported on the FAFSA.

Except for child support, the required items can be verified using the tax return or alternative tax documents. Non-filers should submit a signed statement confirming that they did not file a tax return and listing the amount and specific sources of untaxed income and benefits by name.

You're not required to verify any untaxed income and benefits received from a federal, state, or local government agency on the basis

of a financial need assessment. Also, “in-kind” income (see Chapter 2) is not reported on the FAFSA and does not have to be verified.

✓ **Verifying child support received**

You must verify child support if the student, student’s spouse, or student’s parents report receiving it, or if you have reason to believe it was received. Child support doesn’t have to be verified if the amount reported is the same amount that was verified in the previous year.

A completed verification worksheet is sufficient to verify child support received. If you don’t use the verification worksheet, you must require a statement confirming the amount of child support received for all children in the household. The student (and one parent, if the student is dependent) must sign this statement. If child support is paid through a government agency, a statement from that agency would also be acceptable. If you have reason to doubt the statement provided, you should request at least one of the following items:

- a copy of the divorce decree or separation agreement showing the amount of child support to be provided,
- a signed statement from the parent who provided the support showing the amount of child support provided, or
- copies of the canceled checks or money order receipts.

✓ **Verifying deductions for IRA and Keogh plans**

Deductible payments to IRA and Keogh plans can be verified using the tax return. The deducted amounts are reported on lines 28 and 32 of IRS Form 1040 or line 17 of IRS Form 1040A.

✓ **Verifying interest on tax-free bonds**

Interest on tax-free bonds can be verified using the tax return. Refer to line 8b of IRS Form 1040 or to line 8b of IRS Form 1040A.

**Child support documentation**

34 CFR 668.57(d)(3)

**Untaxed income and benefits documentation**

34 CFR 668.57(d)

Line items from the 2008 tax return			
	1040	1040A	1040EZ
<b>AGI</b>	37	21	4
<b>Income Tax Paid</b>	56	35	11
<b>Deductible IRA/SEP</b>	28 plus 32	17	
<b>Tax-exempt Interest Income</b>	8b	8b	
<b>Untaxed Portions of IRAs and Pensions (excludes rollovers)</b>	15a minus 15b and 16a minus 16b	11a minus 11b and 12a minus 12b	

## Using a joint return to figure individual AGI and taxes paid

If the filer of a joint return has become widowed, divorced, or separated since filing the return, it may be necessary to determine the individual's income and taxes paid using the joint return and the relevant IRS W-2 forms. (If a filer is self-employed or if a W-2 is not available, the school may accept a signed statement from the filer that certifies the base year AGI and U.S. taxes paid.)

Add the income amounts from the individual's W-2 forms to any other income that can be extracted from the joint return. Any interest or business income earned on joint accounts or investments should be assessed at 50%. (The same procedure should be used to divide business or farm losses.) Also, if the AGI listed on the joint return was adjusted ("Adjustment to Income"), you should reduce the individual's AGI by the portion of the adjustment that applies solely to him or her. For example, if an adjustment was made for moving expenses (which applies to the couple jointly), only 50% of the adjustment amount can be applied against the individual's income. An AGI figure can be calculated for the individual filer, using a joint return; a signed statement from the filer certifying that the data from the joint return were accurately assessed is sufficient documentation for this method.

Use one of the following methods to figure the individual's taxes paid:

- **Tax table (preferred method).** Using the IRS Tax Table or Tax Rate Schedule for the appropriate year, calculate the amount of tax that would have been paid if a separate return had been filed. Use the deduction and number of exemptions the individual could have claimed if he or she had filed a separate return. (If itemized deductions were taken, count only the portion of those deductions that could have been claimed on a separate tax return.)
- **Proportional distribution.** Determine what percentage of the joint AGI was attributable to the individual and then assess the joint tax paid by that same percentage.

### Example 1: Calculating individual AGI from joint return example

Eddy's application is selected for verification. He and his wife filed a joint return for 2008 and have since separated. The AGI on Eddy's FAFSA matches the AGI of \$38,000 on the 2008 tax return, which means it's wrong because it includes his wife's income.

Eddy's W-2 shows that his income for 2008 was \$14,900, and the tax return shows \$200 in interest. Because it was interest on a joint savings account, the aid administrator adds \$100 of it to Eddy's income and submits \$15,000 as the corrected income via FAA Access.

### Example 2: Calculating individual taxes paid from a joint return

The aid administrator determines that Eddy's part of the \$38,000 AGI he and his wife reported is \$15,000. Eddy and his wife claimed five exemptions on their tax return (themselves, two children, and Eddy's nephew). Eddy's wife has custody of the children and will claim them as her dependents when she files her tax return for 2009. Eddy's nephew still lives with him. Therefore, Eddy would have had two exemptions (himself and his nephew), totaling \$6,100. In the new situation, Eddy's filing status is "head of household" instead of "married." Therefore, his standard deduction is \$7,000 (instead of the \$9,500 for married filers). Eddy's income of \$15,000 minus the \$6,100 for exemptions and the \$7,000 standard deduction results in \$1,900 in taxable income.

The aid administrator uses the tax table to determine how much tax Eddy would have paid on this amount, taking into account any applicable credits reported on the original return. With a taxable income of \$1,900, the amount of tax paid from the tax schedule would be \$191.

To use the proportional distribution method instead, the aid administrator figures out what percentage of the joint AGI Eddy's income represents. The percentage is 39% (15,000 divided by 38,000 is .3947). The aid administrator then multiplies the income tax paid as reported on the tax return (\$1,323 for this example) by this percentage. Therefore, Eddy's income tax paid would be \$516 (.39 x \$1,323).

## COMPLETING THE PROCESS

Unless receiving only PLUS funds or an unsubsidized Stafford loan, a student selected for verification must complete it. You have the authority—and in some instances are required—to withhold disbursement of any FSA funds until she does. Adopting this policy substantially reduces the incidence of overpayments. You can, however, make an interim disbursement before verification is finished. Remember that verification requirements apply to CPS- and school-selected students.

### Interim disbursements

You can make an interim disbursement of some Title IV funds before verification is complete **if you have no reason to believe the application information is inaccurate**. The limitations for each program are given below. Your school is liable for an interim disbursement if verification shows the student received an overpayment or if he fails to complete verification.

- **Pell Grant, Perkins, and FSEOG.** You can make one disbursement from each of these programs for the student’s first payment period. If you make an interim Pell disbursement, you report the payment with a “W” verification status code. See “Verification status codes” later in this chapter.
- **Federal Work-Study.** You can employ a student under FWS for up to 60 *consecutive* days after he enrolls (or in summer employment for up to 60 days). After 60 days, if verification has not been completed, you can’t continue to employ the student under FWS. If you later discover that the student has been overawarded, you should attempt to adjust the student’s other aid. Otherwise, you must reimburse the FWS Program from school funds. Except in the case of proven student fraud, a student can’t be required to repay FWS wages earned. (See *Volume 6: Campus-Based Programs*.)
- **Stafford Loans.** You can certify a FFEL Stafford loan application or originate a Direct Stafford loan for a student who hasn’t completed verification, but you can’t disburse the loan. See *Volume 4: Processing Aid and Managing FSA Funds* regarding loan disbursements and limits on how long your school can hold loan money before disbursing it or returning it to the lender.

### Selection after disbursement

A student’s application might be selected for verification after corrections are submitted and after the student has already been paid based on the previous unselected CPS transaction. (There is a change flag on the ISIR to call attention to this situation.) You must verify his application before making further disbursements. If verification does not justify aid already disbursed, then the student is responsible for repaying all aid for which he is not eligible, though he may keep any Stafford loan money he received and FWS wages he earned. See below for what happens if he fails to complete verification.

### Disbursing unsubsidized and PLUS loans without verification

As already mentioned, verification isn’t required for unsubsidized and PLUS loans. Therefore, schools can originate, certify, and disburse unsubsidized and PLUS loans regardless of a student’s verification status.

### Interim disbursements

34 CFR 668.58

### Example: selection after disbursement

Owen is attending Guerrero University. His application isn’t selected for verification, and he receives aid in the fall. In December, Owen submits a correction on his SAR that causes the ensuing transaction to be selected for verification. The aid administrator at Guerrero tells Owen he needs to submit verification documents if he wants his aid for the spring and if he wants to keep the Pell funds he received for fall, but Owen doesn’t turn in the documents. Owen doesn’t have to repay the Stafford loan he got in the fall, but he does have to return the Pell grant, and Guerrero must cancel his aid package for the spring.



**Items that must be updated**

If the student is selected for verification, then household size and number in college must be updated to be correct at the time of verification. Dependency status must be updated if it changes during the award year (see Chapter 5).

**Tolerance example**

Emma originally reported on her FAFSA an AGI of \$2,500, \$500 in untaxed income, and \$250 U.S. income tax paid. Verification shows that her AGI was actually \$2,800, and she paid \$281 in U.S. income tax.

Original: \$2,500 (AGI) + \$500 (untaxed income) – \$250 (taxes paid) = \$2,750

Corrected: \$2,800 (AGI) + \$500 (untaxed income) – \$281 (taxes paid) = \$3,019

Net Difference: \$269 (\$3,019 – \$2,750)

Because the net difference is within tolerance, the school can award Emma's aid based on what she originally reported without requiring corrections or recalculation of the EFC.

**Failure to submit documentation**

Pell Grants—34 CFR 668.60(c)  
C-B/Stafford—34 CFR 668.60(b)

**After documentation is complete**

When you've obtained all necessary verification documents from the student, you should compare them to the SAR or ISIR you are reviewing for payment. If all the student's information is correct and there are no outstanding issues or conflicting information, you may award and disburse aid for which the student is eligible.

If verification reveals errors or inconsistencies, the student may have to make corrections or update information (see Chapter 5).

**Verification tolerance**

Verification can sometimes uncover minor errors that won't significantly affect the student's eligibility, so the regulations provide a tolerance for verification changes.

This tolerance is \$400: if the total difference between the incorrect and correct values for certain items is more than \$400, the information must be corrected. To calculate the difference, first add the original (incorrect) AGI and untaxed income amounts. From that sum subtract the original U.S. income tax paid to get the uncorrected total. Do the same for the correct values: add the correct AGI and untaxed income and subtract the correct U.S. income tax paid to get the corrected total. If the difference between the uncorrected total and the corrected total is \$400 or less, the errors are within tolerance; you may award the student aid without submitting a correction or recalculating the EFC. Using the tolerance is optional—you can always have the student submit corrections for reprocessing.

Note that there is no tolerance for errors in nondollar items. If the original application has an error in any nondollar item, such as household size, the student or school must correct it.

**Deadlines and failure to submit documentation**

A Pell applicant selected for verification must complete the process by the deadline published in the *Federal Register*. As of this writing the notice for 2009–10 has not been published, but the deadline is expected to be September 27, 2010, or 120 days after the last day of the student's enrollment, whichever is earlier. Campus-based and Stafford loan applicants must complete verification by the same deadline or by an earlier one established by your aid office.

Verification is complete when your school has all the requested documentation. Also, for Pell grants, the student must have corrected any errors or shown that the information is correct, and your school must have his valid correct ISIR or SAR. For Campus-based and Stafford loan funds, you must have an ISIR or SAR with an official EFC that shows the application data were processed through the CPS at least once while the student was enrolled.

If a student fails to provide the required documentation by the deadline:

- Do not disburse additional Pell, ACG, National SMART, FSEOG, or Perkins loan funds to the student.
- Do not continue the student's employment in an FWS job.
- Do not disburse Stafford loan funds to the student or certify (FFEL) or originate (DL) a Stafford loan application.
- Return to the lender (FFEL) or the Department (DL) any undelivered or undisbursed Stafford loan money.
- If the student already received Pell, ACG, National SMART, FSEOG, or Perkins money in a disbursement prior to being selected for verification, then he must return that money (see Volume 5 for information about overpayments that the student is responsible for). If he received it as an interim disbursement that you gave while waiting to complete verification, your school is responsible for returning the money to the programs.

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**Late disbursements**

34 CFR 668.164(g)

**Late disbursements**

Generally a student ceases to be eligible for aid once he has finished the term and is no longer enrolled. However, he may submit verification documentation and receive a late disbursement after that time if the Department processed a SAR or ISIR with an official EFC while he was still enrolled. Also, if there was a change in his EFC due to verification completed after he was enrolled, any Pell grant awarded would be based on the higher EFC. For information regarding *post-withdrawal* disbursements, see Volume 5 of the Handbook.

**Verification status codes**

When you disburse a Pell grant, you must report through Common Origination and Disbursement (COD) the student's verification status even if he wasn't selected for verification.

V—You have verified the student. This includes students selected by the CPS and those your school chose to verify based on its own criteria.

W—The student was selected for verification by the CPS or your school, and you chose to pay a first disbursement of Pell without documentation. This code must be updated once verification is complete, or COD will reduce the Pell grant to zero.

S—The CPS selected the student for verification, but you did not verify him because you already reached the 30% verification threshold, because he satisfied one of the exclusions under 34 CFR 668.54(b) that are described earlier in the chapter, or because your school participates in the Quality Assurance Program and the student's application did not meet your school's verification criteria.

Blank—Report a blank if you have not performed verification because neither the CPS nor your school selected the student.





# 2009-2010 Verification Worksheet

## Federal Student Aid Programs

Dependent

FORM APPROVED  
OMB NO. 1845-0041

Your application was selected for review in a process called "Verification." In this process, your school will be comparing information from your application with signed copies of your and your parent(s)' 2008 Federal tax forms, or with W-2 forms or other financial documents. The law says we have the right to ask you for this information before awarding Federal aid. If there are differences between your application information and your financial documents, you or your school may need to make corrections electronically or by using your Student Aid Report (SAR).

Complete this verification form and submit it to your financial aid administrator as soon as possible, so that your financial aid won't be delayed. Your financial aid administrator will help you.

### What you should do

1. Collect your and your parent(s)' financial documents (signed Federal income tax forms, W-2 forms, etc.).
2. Talk to your financial aid administrator if you have questions about completing this worksheet.
3. Complete and sign the worksheet—you and at least one parent.
4. Submit the completed worksheet, tax forms, and any other documents your school requests to your financial aid administrator.
5. Your financial aid administrator will compare information on this worksheet and any supporting documents with the information you submitted on your application. You or your school may need to make corrections electronically or by using your SAR.

### A. Student Information

Last name	First name	M.I.	Social Security Number
Address (include apt. no.)			Date of birth
City	State	ZIP Code	Phone number (include area code)

### B. Family Information

List the people in your *parent(s)' household*, including:

- yourself and your parent(s) (including stepparent) even if you don't live with your parents, and
- your parents' other children, even if they don't live with your parent(s), if (a) your parents will provide more than half of their support from July 1, 2009 through June 30, 2010, or (b) the children would be required to provide parental information when applying for Federal Student Aid, and
- other people if they now live with your parents, and your parents provide more than half of their support and will continue to provide more than half of their support from July 1, 2009 through June 30, 2010.

Write the names of all household members in the space(s) below. Also write in the name of the college for any household member, excluding your parent(s), who will be attending at least half time between July 1, 2009 and June 30, 2010, and will be enrolled in a degree, diploma, or certificate program. If you need more space, attach a separate page.

Full Name	Age	Relationship	College
<i>Missy Jones</i> (example)	<i>18</i>	<i>Sister</i>	<i>Central University</i>
		Self	

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 1845-0041. The time required to complete this information collection is estimated to average twelve minutes, including the time to review instructions, search existing data resources, gather the data needed, and complete and review the information collection. If you have any comments concerning the accuracy of the time estimate(s) or suggestions for improving this form, please write to: US Department of Education, Washington, DC 20202-5345.

**C. Student's Tax Forms and Income Information (all applicants)****Dependent**

1. Check only one box below. Tax returns include the 2008 IRS Form 1040, 1040A, 1040EZ, a tax return from Puerto Rico or a foreign income tax return. If you did not keep a copy of your tax return, request a copy from your tax preparer or request an Internal Revenue Service form that lists tax account information.

- Check here if you are attaching a signed copy of your tax return.
- Check here if a signed tax return will be submitted to the school by \_\_\_\_\_ (date).
- Check here if you will not file and are not required to file a 2008 U.S. Income Tax Return.

2. Funds received for child support and other untaxed income. (See Question 47 of the Free Application for Federal Student Aid (FAFSA).)

Sources of Untaxed Income	2008 Amount	Sources of Untaxed Income	2008 Amount
a. Child Support	\$	d.	\$
b. Workman's Compensation	\$	e.	\$
c. Untaxed Pensions	\$	f.	\$

3. If you did not file and are not required to file a 2008 Federal income tax return, list below your employer(s) and any income received in 2008 (use the W-2 form or other earnings statements if available).

Sources	2008 Income
	\$
	\$
	\$

**D. Parent(s)' Tax Forms and Income Information**

1. Check only one box below. Tax returns include the 2008 IRS Form 1040, 1040A, 1040EZ, a tax return from Puerto Rico or a foreign income tax return. If your parent(s) did not keep a copy of their tax return, request a copy from the tax preparer or request an Internal Revenue Service form that lists tax account information.

- Check here if you are attaching a signed copy of your parents' tax return(s).
- Check here if a signed tax return(s) will be submitted to the school by \_\_\_\_\_ (date).
- Check here if your parent(s) will not file and are not required to file a 2008 U.S. Income Tax Return.

2. Funds received for child support and other untaxed income. (See Question 95 of the FAFSA.)

Sources of Untaxed Income	2008 Amount	Sources of Untaxed Income	2008 Amount
a. Child Support	\$	d.	\$
b. Workman's Compensation	\$	e.	\$
c. Untaxed Pensions	\$	f.	\$

3. If your parent(s) did not file and are not required to file a 2008 Federal income tax return, list below your parent(s)' employer(s) and any income they received in 2008 (use the W-2 form or other earnings statements if available).

Sources	2008 Income
	\$
	\$
	\$

**E. Sign this Worksheet**

Each person signing this form certifies that all the information reported on it is complete and correct. The student and at least one parent must sign and date.

**WARNING: If you purposely give false or misleading information on this worksheet, you may be fined, be sentenced to jail, or both.**

\_\_\_\_\_  
Student Date

\_\_\_\_\_  
Parent Date

*Do not mail this worksheet to the Department of Education. Submit this worksheet to your Financial Aid Administrator at your school. Don't forget to sign your tax forms.*





# 2009-2010 Verification Worksheet

## Federal Student Aid Programs

FORM APPROVED  
OMB NO. 1845-0041

Your application was selected for review in a process called "Verification." In this process, your school will be comparing information from your application with signed copies of your (and your spouse's, if you are married) 2008 Federal tax forms, or with W-2 forms or other financial documents. The law says we have the right to ask you for this information before awarding Federal aid. If there are differences between your application information and your financial documents, you or your school may need to make corrections electronically or by using your Student Aid Report (SAR).

Complete this verification form and submit it to your financial aid administrator as soon as possible, so that your financial aid won't be delayed. Your financial aid administrator will help you.

### What you should do

1. Collect your (and your spouse's) financial documents (signed Federal income tax forms, W-2 forms, etc.).
2. Talk to your financial aid administrator if you have questions about completing this worksheet.
3. Complete and sign the worksheet.
4. Submit the completed worksheet, tax forms, and any other documents your school requests to your financial aid administrator.
5. Your financial aid administrator will compare information on this worksheet and any supporting documents with the information you submitted on your application. You or your school may need to make corrections electronically or by using your SAR.

### A. Student Information

Last name	First name	M.I.	Social Security Number
Address (include apt. no.)			Date of birth
City	State	ZIP Code	Phone number (include area code)

### B. Family Information

List the people in *your household*, including:

- yourself, and your spouse if you have one, and
- your children, if you will provide more than half of their support from July 1, 2009 through June 30, 2010, even if they do not live with you, and;
- other people if they now live with you, and you provide more than half of their support and will continue to provide more than half of their support from July 1, 2009 through June 30, 2010.

Write the names of all household members in the space(s) below. Also write in the name of the college for any household member, excluding your parent(s), who will be attending at least half time between July 1, 2009 and June 30, 2010, and will be enrolled in a degree, diploma, or certificate program. If you need more space, attach a separate page.

Full Name	Age	Relationship	College
<i>Martha Jones</i> (example)	<i>24</i>	<i>Wife</i>	<i>City University</i>
		Self	

**C. Student's Tax Forms and Income Information (all applicants)****Independent**

1. Check only one box below. Tax returns include the 2008 IRS Form 1040, 1040A, 1040EZ, a tax return from Puerto Rico or a foreign income tax return. If you did not keep a copy of your tax return, request a copy from your tax preparer or request an Internal Revenue Service form that lists tax account information.

- Check here if you are attaching a signed copy of your tax return.
- Check here if a signed tax return will be submitted to the school by \_\_\_\_\_ (date).
- Check here if you will not file and are not required to file a 2008 U.S. Income Tax Return.

2. Funds received for child support and other untaxed income. (See Question 47 of the Free Application for Federal Student Aid (FAFSA).)

Sources of Untaxed Income	2008 Amount	Sources of Untaxed Income	2008 Amount
a. Child Support	\$	d.	\$
b. Workman's Compensation	\$	e.	\$
c. Untaxed Pensions	\$	f.	\$

3. If you did not file and are not required to file a 2008 Federal income tax return, list below your employer(s) and any income received in 2008 (use the W-2 form or other earnings statements if available).

Sources	2008 Income
	\$
	\$
	\$

**D. Spouse's Tax Forms and Income Information (if student is married)**

1. Check only one box below. Tax returns include the 2008 IRS Form 1040, 1040A, 1040EZ, a tax return from Puerto Rico or a foreign income tax return. If your spouse did not keep a copy of the tax return, request a copy from the tax preparer or request an Internal Revenue Service form that lists tax account information.

- Check here if you are attaching a signed copy of your and your spouse's joint tax return.
- Check here and attach spouse's signed tax return if your spouse filed a separate return.
- Check here if a signed spouse's tax return will be submitted to the school by \_\_\_\_\_ (date).
- Check here if your spouse will not file and is not required to file a 2008 U.S. Income Tax Return.

2. Funds received for child support and other untaxed income. (See Question 47 of the FAFSA.)

Sources of Untaxed Income	2008 Amount	Sources of Untaxed Income	2008 Amount
a. Child Support	\$	d.	\$
b. Workman's Compensation	\$	e.	\$
c. Untaxed Pensions	\$	f.	\$

3. If your spouse did not file and is not required to file a 2008 Federal income tax return, list below your spouse's employer(s) and any income received in 2008 (use the W-2 form or other earnings statements if available).

Sources	2008 Income
	\$
	\$
	\$

**E. Sign this Worksheet**

Each person signing this form certifies that all the information reported on it is complete and correct. If married, spouse's signature is optional.

**WARNING: If you purposely give false or misleading information on this worksheet, you may be fined, be sentenced to jail, or both.**

\_\_\_\_\_  
Student Date

\_\_\_\_\_  
Spouse Date

*Do not mail this worksheet to the Department of Education. Submit this worksheet to your Financial Aid Administrator at your school. Don't forget to sign your tax forms.*