

*Because students sometimes make significant errors on their application, colleges have had procedures for verifying the reported information. The law includes a verification process 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 to verify additional students.*

The verification requirements explained in this chapter apply to applicants for most FSA programs. Verification isn't required if the student is only receiving PLUS or unsubsidized Stafford Loans since these loans are not based on the EFC. However, a student can't avoid the verification requirements by choosing to borrow an unsubsidized loan instead of a subsidized loan. If a student attempts 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,
- method of notifying students of award changes resulting from verification,
- required correction procedures for students, and
- standard procedures for referring overpayment cases to the Department (see *Volume 1: Student Eligibility* for more information on handling overpayments).

Additionally, the school must give each applicant a written account of the following information:

- **Documentation requirements**—a clear explanation of the documentation needed to satisfy the verification requirements.
- **Student responsibilities**—an explanation of the student's responsibilities with respect to the verification requirements, including the deadlines for completing any actions required, the consequences of missing such deadlines, and required correction procedures.

## Required Verification Items:

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:
  - Social Security benefits
  - Child support
  - IRA/Keough deductions
  - Foreign income exclusion
  - Earned income credit
  - Interest on tax-free bonds

## Verification regulations

34 CFR 668, Subpart E  
Required policies—34 CFR 668.53

### Quality Assurance Program

Under the Title IV Quality Assurance (QA) Program, participating schools develop and implement a quality improvement approach to SFA program administration and delivery. QA schools are exempt from certain administrative and procedural requirements, including certain verification requirements. The QA Program provides QA schools with an alternative management approach to develop verification that fits their population. Currently, QA schools use a software tool to analyze the effectiveness of their institutional verification program. The QA Tool shows which application elements changed when verified and reveals the impact that those changes have on the EFC. Beginning in 2002-2003 this tool will be available to all schools. See the institutional eligibility volume for more information.

- **Notification methods**—how your school will notify a student if his or her award changes as a result of verification, and the time frame for such notification.

### APPLICATIONS TO BE VERIFIED

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

The output document shows whether the student’s application has been selected by the CPS. The verification flag, which is in the *Financial Aid Office Use Only* section along with the match flag results, will have a value of “y” if the application has been selected for verification. The CPS will print an asterisk next to the EFC to identify applications selected for verification, and the asterisk will refer applicants to a comment in the student section of page 1 that tells them they will be asked by their schools to provide copies of certain financial documents.

A school may select additional applications for verification. For applications a school selects, the school decides which items it wants to verify. The school can choose not to verify items that must be verified on CPS-selected applications and can also choose to verify items other than those required by the Department. However, all other verification requirements, such as deadlines and allowable interim disbursement rules, apply equally to all students who are being verified, regardless of whether the CPS or the school selected the application for verification.

If a school wants to learn about the outcome of its verification process, it can use the Quality Analysis Tool. For example, one of the reports will show what changes in student information affected student eligibility. See “Applying for and maintaining participation” in volume 2 of this handbook.

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### 30% Verification option

34 CFR 668.54(a)(2)

#### *30% Verification option*

Generally, a school must verify all applications the CPS selects for verification. However, you don’t have to verify more than 30% of the total number of aid applicants at your school, though you may choose to do so. Applications a school selects and those with conflicting information don’t count toward the 30% level. If the number of selected applications is less than 30% of the school’s total, the school must verify all selected applications.

To give schools flexibility, the Department allows them to define “applicant.” For example, an applicant 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

Bennet College has 1,000 applicants for federal student aid. During processing, the CPS selected 475 of those students' applications for verification. Bennet also selects 100 other applications based on its own criteria. To meet the 30% level, Bennet only needs to verify 300 applications, not all 575 that are selected. However, the 100 Bennet selected don't count toward meeting the 30% requirement, so Bennet must verify at least 300 of the applications the CPS selected for verification.

Brust Conservatory has 1,000 applicants for federal student aid. During processing, the CPS selected 289 of those students' applications for verification. Brust must verify all 289 applications because that number isn't more than 30% of the total applicants. The school isn't required to verify more applications to reach the 30% level; the 30% verification option is not a quota.

Benoit Institute has 1,000 applicants for federal student aid. During processing, the CPS selected 300 of those students' applications for verification. Also, the school identified 40 additional applications as having conflicting information. Benoit must resolve the conflicting information for these 40 students. However, because the resolution of conflicting information is separate from 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

ED has added a field called “verification tracking” on the ISIR to identify the priority of the criteria used to select applicants for verification. You will see values of A, B, or a number from 01 to 33 in this field. “A” has the highest priority, then B, then 01, 02, and so on to 33. Therefore, a student with a B or a 05 in this field has a greater potential for significant error than a student with a 25. If you use the 30% option, this verification tracking field will help you to choose applicants for verification who have potentially made the most significant errors on their FAFSA.

#### *Selection after disbursement*

If a student or school submits corrections, the student's application might then be selected for verification. In some cases, the student may already have been paid based on the previous unselected output document. Because the student was eligible for that disbursement when it was made, it doesn't need to be repaid if verification isn't completed. But you can't make subsequent disbursements until the student's application is verified.

#### *Verification Exclusions*

A selected application may be exempt from some or all of the verification requirements due to certain unusual circumstances. Except in the case of the student's death, however, none of these verification exclusions excuses 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 2002 or 2003.

#### **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 an address change on his SAR. That transaction is selected for verification. The aid administrator at Guerrero tells Owen he needs to submit verification documents if he wants his aid for the spring, but Owen doesn't turn in the documents. Owen doesn't have to repay the aid he got in the fall, but Guerrero cancels his aid package for the spring. If Owen does turn in the documents and complete verification before the year ends, Guerrero can give him the aid for which he is eligible in the spring.

### Verification exceptions

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 Leveraging Educational Assistance Partnership (LEAP) Program (formerly the State Student Incentive Grant Program), unless the school is certain that a student's state grant contains federal funds.
- 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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### Verification exclusions

34 CFR 668.54

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### Immigrant example

Hector arrives in the United States in February 2002, and begins attending Guerrero University in September 2002. His 2002-2003 application is selected for verification. Guerrero determines that it doesn't have to verify Hector's application because he arrived during the 2002 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.

→ **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 this exclusion in the student's file. This exclusion doesn't affect any other part of required verification; the selected application must still be verified according to all other requirements.

→ **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 4.)
- 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 the verification process, and the student dies before verification is completed, you don't have to continue verification to justify the first disbursement. In such a case, a school can't make any additional disbursements to any of the student's beneficiaries, except for FWS funds already earned. Also, you cannot originate or certify a Stafford Loan, or deliver proceeds from either one for the student's beneficiaries.

→ **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. 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 55).

→ ***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 be citizens of one of these former territories. 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 funds for reasons other than the student's 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 application data 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 and procedures. 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*

The following sections describe the documentation that a student is required to provide for each data item. To help you collect most of the necessary documentation, this chapter includes the 2002-2003 Verification Worksheets developed by the Department. When a student completes a verification worksheet and

### Required verification items

34 CFR 668.56(a)

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### 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, during the applicable award year. Signatures can't be collected after the verification deadline for that award year.

attaches the appropriate tax forms or alternative documents, you will usually have enough information to complete the verification process. You may reproduce as many worksheets as you need (master copies are also available through EDEXpress and the IFAP website at [ifap.ed.gov](http://ifap.ed.gov)).

However, you're not required to use the verification worksheets. Your school may use its own worksheet or no worksheet at all. You may require other documentation in addition to or instead of a completed verification worksheet. The chart on the next page 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 may want to 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 all required worksheet sections are completed and appropriately signed and that the relevant tax returns or alternative documents are attached. As explained later in this section, copies (such as photocopies, faxes, digital images) of worksheets, tax returns, or other documentation are acceptable. Unless specifically noted in this chapter, a signature on a copy is as valid as an original signature (i.e., a handwritten, pen-and-ink, 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," p.51.)

### *Household size*

The law states who is included in household size; see steps 4 and 5 in chapter 2. If the student completed a 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 3 (or 2, if the parent is single, divorced, separated, or widowed).

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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)

## 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 and/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>		Official agency documentation and/or signed statement

- the household size reported for a married independent student is 2 (or 1, if the student is single, divorced, separated, or widowed).

### *Number enrolled in college*

If the student completes a 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 still 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.
- 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.

### **Number in college—documentation and exceptions**

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

# Tax documents: special situations and alternatives

There are certain situations, such as when the student files taxes 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 several electronic filing methods. For example, the taxfiler can go to an e-file provider who will send the return to the IRS or use taxfiling software on a home computer. The filer should always receive a paper copy of the return in some format. Software used on a home computer may produce a 1040PC, or may allow the taxfiler to print out a standard 1040, 1040A, or 1040EZ that contains the information that was filed electronically. Or 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 purposes, as long as they are signed by at least one of the taxfilers. (When an electronic tax return is filed, the filer also submits IRS Form 8453. Form 8453 doesn't have enough information for verification purposes.)

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

## TeleFile

TeleFile (formerly called 1040TEL) allows 1040EZ filers to file a tax return over the phone. Filers complete a TeleFile Tax Record, call an IRS number, and enter the information over the telephone. The TeleFile Tax Record is acceptable documentation for verification purposes, provided it contains the filer's 10-digit IRS confirmation number in Line N and is signed by the filer. (There is no signature line—have the filer sign at the bottom.)

## Nonfilers

An AGI figure won't be available for someone who isn't required to file a tax return. A nonfiler 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 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 nonfiler a signed statement certifying his or her nonfiler status and listing the sources and amounts of income. The school can also accept copies of the W-2 forms.

Financial aid professionals are not expected to have special knowledge or expertise regarding the U.S. tax code. If someone whose data was 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 information on conflicting information, see chapter 4.) 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 can be used for verification. If a return hasn't been filed by then and a filing extension was granted by the IRS, the school may 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 four-month extension beyond the April 15 deadline) or a copy of the IRS approval of an extension beyond the automatic four-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 must 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 documentation deadline is ineligible for FSA funds and is required to repay any aid disbursed. Regardless of whether the student repays the aid, your school is liable for the interim disbursement (see Interim Disbursements).

### Fiscal year returns

For a fiscal year tax return, as opposed to a return for the calendar year, the student should report the AGI and U.S. income tax paid from the fiscal year tax 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 copies of the necessary tax returns are not available, the student must instead submit a copy of any IRS form that lists tax account information. A common form is the tax transcript. A student can call the IRS help line at 1-800-829-1040, wait to talk to a representative, and order a tax transcript. It might not have as much financial information as the tax return, so the student may have to provide additional documents to complete verification.

Any form that lists tax account information and provides the information needed for verification is acceptable. The form **must** be signed by the student unless the IRS sent the form directly to the school.

If the IRS can't provide a copy of the return or any form with tax account information, you can accept a copy of the W-2 for everyone whose income is listed on the FAFSA. If a filer is self-employed or if a W-2 is otherwise unavailable, you can accept a signed statement from the filer certifying that his or her income and other appropriate information is correct.

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

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**AGI and income  
tax documentation**  
34 CFR 668.57(a)

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**Tax return FAFSA questions**

For students the tax return questions are 37 and 38 on the FAFSA. For parents the tax return questions are 71 and 72.

***Adjusted Gross Income (AGI) and 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 vary depending on the filing method used by the student, spouse, or parents—electronically (through e-file), over the telephone (through TeleFile), or using traditional paper tax forms. All documentation must contain the required signatures (or preparer’s stamp or other official validation) and must contain all data necessary 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 was reported on the FAFSA: the student, the student’s spouse, or the student’s parents. Each person reported on the FAFSA which tax return they filed or that they were not required to file a tax 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 student’s 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”, p. 50). 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.

The line item chart below shows the tax form line items for the most commonly reported items. This chart is a reference only; it is not an inclusive 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 also accept a tax form that has been completed to duplicate the filed return; this duplicate must contain at least one filer’s signature.

Instead of a return the filer has signed, you may accept a paper return on which the tax preparer has stamped, typed, or printed her name and SSN or EIN. You may also accept a copy of an IRS form with tax account information that is mailed directly to your school (otherwise at least one of the filers must sign the form) from the IRS. Documentation from electronic returns must be signed by the filer, as explained in the following section. In some cases you can waive the requirement for spouse information and signatures (see “Verification exclusions”).

### 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 six specific types of untaxed income and benefits:

- Social Security benefits,
- child support,
- IRA/Keogh deductions,
- foreign income exclusion,
- earned income credit, and
- interest on tax-free bonds.

Except for Social Security benefits and child support, the required items can be verified using the tax return or alternative tax documents. Nonfilers 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.

In addition to these types of untaxed income and benefits, 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.

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. Further, “in-kind” income (see chapter 2) is not reported on the FAFSA and does not have to be verified.

### Line Items

	1040	1040A	1040EZ
<b>AGI</b>	33	19	4
<b>Income Tax Paid</b>	47 plus 52	30 plus 34	11
<b>Deductible IRA/SEP</b>	23 and 29	16	
<b>Earned Income Credit</b>	61a	39a	9a
<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 for verification purposes 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 up the income figures from the individual's W-2 forms to get the individual's income 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 2001 and have since separated. The AGI on Eddy's FAFSA matches the AGI on the 2001 tax return, which means it's wrong, because it includes his wife's income.

Eddy's W-2s show that his income for 2001 was \$12,500, while the AGI on the tax return is \$33,000. In addition to the income earned from work, the tax return also shows \$100 in interest income. Also, Eddy received a scholarship, and reported \$400 of the scholarship as taxable income. The aid administrator adds \$50 of the interest income to Eddy's income (because it was interest on a joint savings account), and includes all of the taxable scholarship in his income. Therefore, the aid administrator determines that Eddy's income is \$12,950, and submits a correction through EDE.

### Example 2: Calculating Individual Taxes Paid from a Joint Return

The aid administrator determines that Eddy's part of the \$33,000 AGI he and his wife reported is \$12,950. 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 2002. Eddy's nephew still lives with him. Therefore, Eddy would have had two exemptions (himself and his nephew), totaling \$5,600. In the new situation, Eddy's filing status is "head of household" instead of "married." Therefore, his standard deduction is \$6,450 (instead of the \$7,350 for married filers). Eddy's income of \$12,950 minus the \$5,600 for exemptions and the \$6,450 standard deduction results in \$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 \$900, the amount of tax paid from the tax schedule would be \$137.

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% (12,950 divided by 33,000 is .3924). The aid administrator then multiplies the income tax paid as reported on the tax return (\$1,864 for this example) by this percentage. Therefore, Eddy's income tax paid would be \$727 (.39 x \$1,864).

**✓ Verifying untaxed Social Security benefits**

You're not required to verify Social Security benefits **unless** you have reason to believe that benefits were not reported or were reported incorrectly. If you believe verification is necessary, you can accept the following documentation:

- documentation from the Social Security Administration showing the total amount of benefits received by the student, the student's spouse, or a dependent student's parents, or
- a statement signed by the student (and spouse or parent) certifying that the amount of Social Security benefits reported on the application is correct.

**✓ 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 23 and 29 of IRS Form 1040 or line 16 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.

**✓ Verifying foreign income excluded from U.S. taxation**

Excluded foreign income can be verified by using IRS Forms 2555 (line 43) or 2555EZ (line 18). Note that the final total for Form 2555 shouldn't be reported as untaxed income, because it contains other exclusions.

**Tip for verifying Social Security benefits**

Be sure the student reports the total amount (not the monthly amount) of benefits received in the base year—including Supplemental Security Income and benefits received on behalf of dependent children. Also, be sure the benefits were not included in the AGI. Lastly, if the Social Security statement shows an amount deducted for Medicare, make sure that amount is included in the total benefits reported.

34 CFR 668.57(d)(2)

**Child support documentation**

34 CFR 668.57(d)(3)

**Untaxed income and benefits documentation**

34 CFR 668.57(d)

**✓ Verifying earned income credit (EIC)**

Earned income credit is available to certain eligible workers and must be reported on the FAFSA and verified. The amount can be verified from line 61a of the 1040, line 39a of the 1040A, or line 9a of the 1040EZ.

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**Disbursing unsubsidized loans without verification**

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

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**Interim disbursements**

34 CFR 668.58

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**Pell, Perkins, FSEOG interim disbursement example**

Steven's application is selected for verification. He's attending Brust Conservatory, which chooses to make interim disbursements. Steven is eligible for a Pell, and Brust also awards him a Perkins Loan. He isn't eligible for an FSEOG. Steven has already made some corrections because Brust discovered errors in his application, but he hasn't submitted all the verification documentation yet. Brust doesn't want to pay Steven until it receives his corrected output document. As long as Brust makes the payment before the first payment period ends, it can make an interim disbursement before Steven turns in all his verification paperwork. Otherwise, Brust will have to wait until Steven completes verification to make any disbursements.

**COMPLETING THE PROCESS**

If a student's application is selected for verification and she is to receive more than an unsubsidized or PLUS loan, she must complete the verification process or forfeit federal student aid eligibility. You have the authority to withhold disbursement of any FSA funds until the student completes the required verification. Adopting this policy substantially reduces the incidence of overpayments. You can, however, make an interim disbursement before verification is complete.

**Interim Disbursements**

As long as you have no reason to believe the application information is inaccurate, you can make an interim disbursement before verification is complete. The interim disbursement limitations as they apply to each program are listed below. Your school is liable for an interim disbursement if verification shows that the student received an overpayment or if the student 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.** Before completing verification, you can employ a student under FWS for up to 60 *consecutive* days after the student enrolls (or in summer employment for up to 60 days), provided you have no conflicting documentation concerning the student. 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: Federal Work-Study Program*.)
- **Stafford Loans.** If you have no conflicting documentation, you can certify a Stafford Loan application (or originate a Direct Loan) for a student who hasn't completed the verification process. However, you can't disburse the Stafford Loan funds to the borrower. See *Volume 8: Direct Loan and FFEL Programs* for a detailed discussion of how to handle adjustments when the student's eligibility changes after the loan process is initiated,

and for limits on how long your school can hold loan proceeds before either disbursing them to the student or returning them to the lender.

### ***After documentation is complete***

When you've obtained all necessary verification documents from the student, you should compare that documentation to the information originally reported on the application. If the verification process shows that all the student's information is correct, and there are no outstanding issues or conflicting information, you may award aid and disburse aid for which the student is eligible.

If verification revealed errors or inconsistencies, the student may have to make corrections or update information (in certain limited cases). See chapter 4 for instructions on how to make corrections or to update information.

### ***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 difference between the incorrect and correct data for certain dollar 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.

However, there is no tolerance for errors in nondollar items. If the original application has errors in any nondollar items, such as household size, the student must make a correction.

### ***Failure to submit documentation***

A Pell applicant selected for verification must complete the process within deadlines published in the *Federal Register*. As of this writing, the deadline notice for 2002-2003 has not been published; however, we expect the deadline to be September 2, 2003 or no later than 90 days after the last day of the student's enrollment, whichever is earlier.

For Pell grants, verification is complete when the student has corrected any errors or has shown that the information is correct. In addition to all verifying documentation, your school must also have on file the final and valid ISIR or SAR showing the official EFC. If the student does not complete verification by the deadline, he forfeits Pell for the award year, so your school must repay funds already disbursed.

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### **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 4).

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### **Tolerance example**

Emma originally reported an AGI of \$2,500, \$300 in untaxed income, and \$300 U.S. income tax paid. Verification shows that her AGI was actually \$3,000, and she paid \$400 in U.S. income tax.

Original: \$2,500 (AGI) + \$300 (untaxed income) - \$300 (taxes paid) = \$2,500 (uncorrected total)

Corrected: \$3,000 (AGI) + \$300 (untaxed income) - \$400 (taxes paid) = \$2,900 (corrected total)

Net Difference: \$400 (\$2,900-\$2,500)

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.

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### **Failure to submit documentation**

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

Campus-Based and Stafford Loan applicants must complete verification within the deadline established by your aid office, though the final deadline for all FSA programs is the one published in the *Federal Register*. The student has completed verification when he has submitted all requested documentation to the school. You must also have on file an output document that shows the student's application data were processed through the CPS at least once, but the output document need not be final or signed by the student.

For the Campus-Based and Stafford Loan programs, if a student fails to provide the required documentation by the deadline, do not:

- disburse additional FSEOG or Federal Perkins Loan funds to the student (funds already disbursed must be repaid by your school),
- continue the student's employment in an FWS job,
- certify a Stafford Loan application or originate a Direct Loan for the student, or
- disburse Stafford Loan funds to the student.

#### ***Verification status codes***

When you disburse a Pell award, you must report the student's verification status even if the student wasn't selected for verification.

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

W - The student has been selected for verification by the CPS and your school has chosen to pay a first disbursement of Pell without documentation.

Blank - Report a blank if you have not performed verification because either the CPS did not select the student or you have already reached the 30% verification threshold. This also includes schools exempt from the verification regulations because they participate in the Quality Assurance Program.





# 2002-2003 Verification Worksheet

## Federal Student Aid Programs

Dependent

FORM APPROVED  
OMB NO. 1845-0041  
EXP. DATE 12/31/2003

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)' 2001 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 may need to send in corrections on your Student Aid Report (SAR), or your school may send corrections electronically, to have your information reprocessed.

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. Fill in and sign the worksheet—you and at least one parent.
4. Take the completed worksheet, tax forms, and any other documents your school needs to your financial aid administrator.
5. Your financial aid administrator will compare information on the documents. You may need to make corrections on your SAR and send it back to the application processor.

*Your school must review the requested information, under the financial aid program rules (34 CFR, Part 668).*

### 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 parents' household, include:

- 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 provide more than half of their support from July 1, 2002 through June 30, 2003, 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, 2002 through June 30, 2003.

Write the names of all household members. Also write in the name of the college for any household member, excluding your parent(s), who will be attending college at least half-time between July 1, 2002 and June 30, 2003, 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 (example)</i>	<i>18</i>	<i>Sister</i>	<i>Central University</i>
		Self	

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

1. Check one box only. Tax returns include the 2001 IRS Form 1040, 1040A, 1040EZ, TeleFile Tax Record, a tax return from Puerto Rico or a foreign income tax return. If you did not keep a copy of the tax return, request a copy from your tax preparer or a copy of an Internal Revenue Service form that lists tax account information.

- Check and attach signed tax return.
- Check and complete: 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 2001 U.S. Income Tax Return.

2. Funds received for child support and other untaxed income. (See worksheets A&B of the Free Application for Federal Student Aid)

Sources of Untaxed Income	2001 Amount	Sources of Untaxed Income	2001 Amount
a. Child Support	\$	d.	\$
b. Social Security (non-taxed)	\$	e.	\$
c. Welfare (including TANF)	\$	f.	\$

3. If you did not file and are not required to file a 2001 Federal income tax return, list below your employer(s) and any income received in 2001 (use the W-2 form or other earnings statements if available).

Sources	2001 Amount
	\$
	\$
	\$

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

1. Check one box only. Tax returns include the 2001 IRS Form 1040, 1040A, 1040EZ, TeleFile Tax Record, a tax return from Puerto Rico or a foreign income tax return. If your parent(s) did not keep a copy of the tax return, request a copy from the tax preparer or a copy of an Internal Revenue Service form that lists tax account information.

- Check and attach signed tax return(s).
- Check and complete: 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 2001 U.S. Income Tax Return.

2. Funds received for child support and other untaxed income. (See worksheets A & B of the Free Application for Federal Student Aid)

Sources of Untaxed Income	2001 Amount	Sources of Untaxed Income	2001 Amount
a. Child Support	\$	d.	\$
b. Social Security (non-taxed)	\$	e.	\$
c. Welfare (including TANF)	\$	f.	\$

3. If your parent(s) did not file and are not required to file a 2001 Federal income tax return, list below your parent(s)' employer(s) and any income they received in 2001 (use the W-2 form or other earnings statements if available).

Sources	2001 Amount
	\$
	\$
	\$

**E. Sign this Worksheet**

By signing this worksheet, we certify that all the information reported on it is complete and correct. At least one parent must sign.

**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. Take it to your Financial Aid Administrator at your school. Don't forget to sign your tax forms.**



# 2002-2003 Verification Worksheet

## Federal Student Aid Programs

FORM APPROVED  
OMB NO. 1845-0041  
EXP. DATE 12/31/2003

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) 2001 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 may need to send in corrections on your Student Aid Report (SAR), or your school may send corrections electronically, to have your information reprocessed.

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.

### 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, include:

- yourself, and your spouse if you have one, and
- your children, if you will provide more than half of their support from July 1, 2002 through June 30, 2003, 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, 2002 through June 30, 2003.

Write the names of all household members. Also write in the name of the college for any household member, excluding your parent(s), who will be attending college at least half-time between July 1, 2002 and June 30, 2003, 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 (example)</i>	<i>24</i>	<i>Wife</i>	<i>City University</i>
		Self	

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

1. Check one box only. Tax returns include the 2001 IRS Form 1040, 1040A, 1040EZ, TeleFile Tax Record, a tax return from Puerto Rico or a foreign income tax return. If you did not keep a copy of the tax return, request a copy from your tax preparer or a copy of an Internal Revenue Service form that lists tax account information.

- Check and attach signed tax return.
- Check and complete: signed tax return will be submitted to the school by \_\_\_\_\_ (date).
- Check if you will not file and are not required to file a 2001 U.S. Income Tax Return.

2. Funds received for child support and other untaxed income. (See Worksheets A & B of the Free Application for Federal Student Aid)

Sources of Untaxed Income	2001 Amount	Sources of Untaxed Income	2001 Amount
a. Child Support	\$	d.	\$
b. Social Security (non-taxed)	\$	e.	\$
c. Welfare (including TANF)	\$	f.	\$

3. If you did not file and are not required to file a 2001 Federal income tax return, list below your employer(s) and any income received in 2001 (use the W-2 form or other earnings statements if available).

Sources	2001 Amount
	\$
	\$
	\$

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

1. Check one box only. Tax returns include the 2001 IRS Form 1040, 1040A, 1040EZ, TeleFile Tax Record, 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 a copy of an Internal Revenue Service form that lists tax account information.

- Check if you and your spouse did or will file a joint return.
- Check and attach signed tax return if your spouse filed a separate return.
- Check and complete: signed tax return will be submitted to the school by \_\_\_\_\_ (date).
- Check if your spouse will not file and is not required to file a 2001 U.S. Income Tax Return.

2. Funds received for child support and other untaxed income. (See Worksheets A & B of the Free Application for Federal Student Aid)

Sources of Untaxed Income	2001 Amount	Sources of Untaxed Income	2001 Amount
a. Child Support	\$	d.	\$
b. Social Security (non-taxed)	\$	e.	\$
c. Welfare (including TANF)	\$	f.	\$

3. If your spouse did not file and is not required to file a 2001 Federal income tax return, list below your spouse's employer(s) and any income received in 2001 (use the W-2 form or other earnings statements if available).

Sources	2001 Amount
	\$
	\$
	\$

**E. Sign this Worksheet**

By signing this worksheet, I (we) certify 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. Take it to your Financial Aid Administrator at your school. Don't forget to sign your tax forms.**