BREAKOUT SESSION #9

FAFSA Simplification: Use of Federal Tax Information (FTI)

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2022 Virtual FSA Training Conference for Financial Aid Professionals
AGENDA

1. Current IRS Data Retrieval Tool (DRT)
2. FUTURE Act & Direct Data Exchange (DDX)
3. Risks of misusing FTI
4. FAFSA Data Use: 2024-25
5. FAFSA Data Use & Outreach for Basic Need Programs
6. Resources and Outreach
CONSOLIDATED APPROPRIATIONS ACT, 2022

Public Law Number 116-260

Signed into law: December 27, 2020

Future Act

Expands access to federal student aid, and mandates Federal Student Aid to use data directly from the IRS.

FAFSA® Simplification Act

Introduces significant changes to the FAFSA® application process including changes to the FAFSA® form, how students and families will complete the application, and the eligibility calculation.
CONSOLIDATED APPROPRIATIONS ACT, 2022
Public Law Number 117-103
Signed into law: March 15, 2022

FAFSA® Simplification Technical Corrections Act

• Extended FAFSA simplification implementation timeline
• Updated language associated with cost of attendance and the special rules for independent students
• Modified the terms and conditions for students that qualify for Pell Grant funds based upon meeting special conditions currently associated with the Iraq and Afghanistan Service Grant and the Children of Fallen Heroes Grant
CURRENT IRS DATA RETRIEVAL TOOL (DRT)

• In the early 2000s, FSA worked with the IRS to create the Data Retrieval Tool (DRT), which allows students and parents to import their tax return data from the IRS into the FAFSA, as permitted by Sec. 483 of the HEA.

• Under the DRT, IRS does not directly provide FTI to FSA; rather, the DRT allows the taxpayer to transfer their data from the IRS to FSA. Once tax return data is transferred into the FAFSA by the taxpayer, it is then considered “FAFSA data” for purposes of data use restrictions under the HEA.
The FUTURE Act amends the Internal Revenue Code (IRC) to authorize FSA to receive individuals’ FTI directly from the IRS.

Because the FUTURE Act enables a Direct Data Exchange (the Future Act Direct Data Exchange or FADDX) between IRS and ED/FSA going forward, such information will come directly from IRS rather than from students and families, and will therefore constitute IRS data, protected by the more stringent confidentiality and nondisclosure provisions of the IRC.
The FUTURE Act authorizes FSA to receive this data for the following, limited purposes:

1. The FAFSA form: determining eligibility for and the amount of Federal student financial aid under Parts A, C, and D2 title IV of the HEA;

2. Income-driven repayment (IDR): determining eligibility for, and repayment obligations under, income-driven repayment plans under title IV of the HEA; and

3. Total and permanent disability (TPD) discharges: monitoring and reinstating loans under title IV of the HEA that were discharged based on TPD.
RISKS OF MISUSING FTI

• **Violations of Section 6103(l) of the IRC are criminal.** In a worst-case scenario, IRS could undertake criminal enforcement actions against personnel whom IRS finds to have inappropriately used or redisclosed FTI.

• This includes Institutions of higher education (IHEs) and their 3rd party servicers, if applicable.
FAFSA DATA USE: 2024-25

A FAFSA applicant (including parent(s) or spouse) must authorize for their FAFSA information to be disclosed, including redisclosure of FTI, to an IHE, state higher education agency, and designated scholarships organization.
Information provided to a State higher education agency administering State-based financial aid and serving the applicant's State of residence, for the application, award, and administration of grants and other student financial aid provided directly from the State to be determined by such State.

Use of information.-- A State agency administering State-based financial aid--

- may also use the information, except for FTI, for State agency research that does not release any individually identifiable information on any applicant to promote college attendance, persistence, and completion;
- may use identifying information provided by student applicants on the FAFSA to determine whether or not a graduating secondary student has filed the application in coordination with local educational agencies or secondary schools to encourage students to complete the application; and
- may share the application information, excluding FTI, with any other entity, only if such applicant provides explicit written consent of the applicant, except as provided in subclause (III).
FAFSA DATA USE: 2024-25 – STATE HIGHER EDUCATION AGENCY

- Any entity that receives applicant information from a state higher education agency with the applicant’s explicit written consent shall not sell, share, or otherwise use applicant information other than for the purpose(s) to assist such applicant in applying for and receiving Federal, State, or local government assistance, or tribal assistance for any component of the applicant's cost of attendance that may include financial assistance or non-monetary assistance.
Information provided to the institution shall use the information provided to it solely for the application, award, and administration of financial aid to the applicant;

Use of information:

• may use the information provided, excluding FTI, for research that does not release any individually identifiable information on any applicant, to promote college attendance, persistence, and completion; and

• shall not share such educational record information with any other entity without the explicit written consent of the applicant.
• Any entity that receives applicant information from an institution with the applicant’s explicit written consent shall not sell, share, or otherwise use applicant information other than for the purposes of the application, award, and administration of financial aid to the applicant.
January 2022 (DCL: GEN-22-02), ED reminded institutions of recent designations under the Higher Education Act that permits the use of FAFSA data to aid in the administration of several Federal benefits programs.

- Child Tax Credit
- Recovery Rebate Credit/ Economic Impact Payment
- Supplemental Nutrition Assistance Program (SNAP)
- Affordable Connectivity Program
- Health Insurance Enrollment
- Other Federal Assistance Programs
Institutions may utilize a FAFSA applicant’s email address and other relevant information to notify affected students who may be eligible for the following programs:

- Child Tax Credit
- Recovery Rebate Credit/ Economic Impact Payment
- Health Insurance Enrollment

**Supplemental Nutrition Assistance Program (SNAP)**

- Institutions may use FAFSA data to verify that students meet these requirements directly with the State SNAP agency, provided institutions obtain the prior written consent of the student under the FERPA regulations (see 34 CFR 99.30) and any other applicable privacy law to disclose the student’s FAFSA data to the State SNAP agency.

- Institutions may also use such information to conduct email outreach to potentially eligible students.
Affordable Connectivity Program

- Institutions may use FAFSA data, specifically the receipt of a Federal Pell Grant, along with the FAFSA applicant’s email address, to communicate with students whose households are potentially eligible for the Affordable Connectivity Program benefits about their household’s possible eligibility for such benefits.

Other Federal Assistance Programs

- Unemployment Insurance
- Housing Assistance
Limitations on FAFSA Date Use Under Section 483(a)(3)(E) designations:

• Institutions should limit FAFSA data use to the data and means directly related to informing students about their potential eligibility for the programs limited in the January 2022 Dear Colleague Letter (DCL) and must follow requirements for the disclosure of FAFSA data to campus stakeholders or any other third parties under the Family Education Rights and Privacy Act (FERPA) and any other applicable privacy law.

• See 2019, FSATC17: Financial Aid Data Use and Student Privacy for more information on general FAFSA Data Use
RESOURCES AND OUTREACH

• 2023-2024 FSA Handbook (publishing to start in Fall 2022)
• On-going Webinars
• Resources related to FAFSA simplification:
  • **FSA Knowledge Center** – Policy guidance, training, and announcements for schools and FAAs
  • **FSA Toolkit** – Information and outreach tools for counselors, college access professionals, nonprofit mentors, and other advisors
• ED developing both in person and virtual training in 2023 for the changes that are coming with the 2024-25 FAFSA.