FICHE NUMBER

185915

NOT AVAILABLE FROM EDRS

DOCUMENT RESUME

ED 185 914 HE 012 594

TITLE	The Basic Grant Formula, 1980-81.
INSTITUTION	Bureau of Student Financial Assistance (DHEW/OE), Washington, D.C.
PUB DATE	[80]
NOTE	49p.
EDRS PRICE	MF01/PC02 Plus Postage.
DESCRIPTORS	Case Studies: College Students: *Eligibility: Family Income: *Federal Aid: Federal Programs: *Financial Aid Applicants: *Grants: Higher Education: Mathematical Formulas: *Need Analysis (Student Financial Aid): Parent Financial Contribution: Records (Forms): Self Supporting Students: *Student Financial Aid: Worksheets
IDENTIFIERS	*Basic Educational Opportunity Grants

ABSTRACT

The Basic Educational Opportunity Grant program, the largest federal student aid program, is explained. The method by which a student's eligibility is determined is described in detail. In a section on calculation of eligibility for dependent students, two worksheets are provided: that for families with no farm or business assets, and those with some farm or business assets. The steps for using the worksheets are described. Similarly, worksheets and directions are given for students with a family size of one, and for students with a family size greater than one, with and without farm or business assets. Case studies are provided as examples for the use of each worksheet, and appended are brief reference tables for determination of the student eligibility index: family size offsets in dollar amounts, the multiple student calculation rate, employment expense offset, income contribution rates (percentages) for independent students, and the dependent student offset against income (dollar amounts). (MSE)

THE BASIC GRANT FORMULA 1980-1981

U.S. OFFICE OF EDUCATION
Bureau of Student Financial Assistance

DISCRIMINATION PROHIBITED No person in the United States shall, on the ground of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance, or be so treated on the basis of sex under most education programs or activities receiving Federal assistance.

CONTENTS

INTRODUCTION

This booklet is intended to help you understand how the U.S. Office of Education determines which students receive a Basic Educational Opportunity Grant (BEOG). The BEOG Program is the largest of the Federal educational assistance programs; more than 4,500,000 applications for assistance will be processed for the 1979-80 academic year. Each year, the Bureau of Student Financial Assistance in the Office of Education also receives numerous requests for information about the formula used to determine eligibility for a BEOG.

Eligibility for a Basic Eduational Opportunity Grant is based on the financial strength of you and your family. To measure this financial strength the Basic Grant Program applies a standard "need analysis" formula to the information you report on your application. This booklet will explain how each item in the formula works, and includes worksheets you can use to see how the Basic Grant formula calculates your student eligibility index number.

The BEOG Program is an "entitlement" program. "Entitlement" simply means that a student who demonstrates need will receive a grant based on that need and the cost of education at the postsecondary school he or she attends. The concept of entitlement further necessitates that all applicants be treated in a standard, consistent manner. Such an approach ensures that there is no preferential treatment for any student; it also prevents changing the Basic Grant eligibility formula to take into account special circumstances affecting only you or your family. The financial aid administrator at your school may consider these special circumstances while developing the total financial aid package, which in addition to a Basic Grant may include a Federally sponsored loan, work study job, or supplemental grant, as well as aid from State and private sources.

Like all need analysis formulas, the Basic Grant Eligibility formula measures the two main components of financial strength: income and assets. It also makes allowance for factors that affect income, such as the basic subsistence expenses needed for food, shelter, and other family needs; for U.S. income taxes, unusual medical expenses, the extra expenses incurred when both parents work or when there is only one parent in the household, and for the expenses incurred for family members in postsecondary school, as well as for those in private elementary or secondary schools.

Additionally, the formula also protects a portion of the family's assets from any assessment. Further, since income is such an important part of a family's financial strength, the formula provides that, if these allowances exceed the income, the family's assets will be assessed to a lesser extent in order to compensate for the income "deficit." However, any asset value beyond these allowances is measured, since a family with equity in an asset has the option of borrowing against that equity, an option another family may not have.

The first question facing the BEOG applicant is whether he or she must file as a dependent or an independent student. To establish whether, for the purpose of the Basic Grant Program, you are a "dependent" of your parents and must therefore report their income on your application, the application asks the following questions:

1) Did or will you live with your parents for more than 6 weeks in 1979 or 1980?

2) Did or will your parents claim you as a tax deduction in 1979 or 1980?

3) Did or will you receive more than $750 worth of support from your parents in 1979 or 1980?

If the answer to any question for any year is "yes," you are considered dependent and must report your parents' financial information on your application for a Basic Grant. Note, however, that you must answer the two questions in the "parents" section of the application that apply to you. One question asks for your (and your spouse's) total 1979 income minus U.S. income tax paid. The other question asks for the value of your savings and net assets.

If the answer to all questions for all years is "no," then you are considered independent and must report your (and your spouse's) information on the application.

The formula for calculating the student's eligibility index is developed by the Office of Education and reviewed annually by Congress. As a result of this annual review, the formula for the calculation of the eligibility index is likely to change from year to year.

For 1980-81, there are several different versions of the formula for several different categories of students. Each version is explained in the following pages, and sample case studies are included in Appendix A to illustrate each version.

CALCULATION OF 1980-81 ELIGIBILITY INDEX FOR DEPENDENT STUDENTS

NOTE: Two worksheets have been developed for calculating the indices of these students. The worksheets are identical except for the assessment of assets. If your parents do not have farm and/or business assets, use Worksheet A. If your parents have farm and/or business assets, use Worksheet B.

1. Parents' Adjusted Gross Income in 1979 (line 1). All income which is available to the parents should be considered in the evaluation of their ability to support the cost of postsecondary education. The most valid reference for parental income subject to Federal income tax is the adjusted gross income item in the family's Federal income tax return (line 31 of the 1979 IRS Form 1040 or line 11 of the 1979 IRS Form 1040A). This information is readily available to most families, and the information can be verified by referring to the IRS forms actually filed by the parents.

Although parents provide from their current income for the education of their children, this item requests 1979 income. If 1980 income figures were requested, parents would have to make estimates. Recent studies show that, in general, current-year estimates give a less accurate picture of a family's financial strength than prior-year actual figures. Middle-income families systematically underestimate current-year earnings, and lower-income families systematically overestimate.

The amount to be entered here, therefore, is the amount entered on the 1979 Federal income tax return. However, if the parents earned their income overseas and did not file a U.S. income tax return, those earnings would be converted to U.S. dollars and reported in this item.

Item 1a requests the income earned through employment by the father; item 1b requests the same information for the mother. This information is used to determine whether or not the family is eligible for the employment expense offset.

Although lines 1a and 1b often add up to the adjusted gross income reported on line 1, there are a number of instances where they may not. For example, line 1 may be less than the sum of lines 1a and 1b if the parents have claimed on their tax return "Adjustments to income" for such items as moving expenses, employee business expenses, payments to an IRA or Keogh account, interest penalties on early withdrawal of savings, alimony payments, and disability income exclusions.

Similarly, line 1 may be greater than the sum of lines 1a and 1b if, in addition to income earned through employment, the parents have reported on their tax form other taxable income such as interest, dividends, business income, taxable portions of capital gains, or taxable pensions.

2. Total Non-taxable Income in 1979 (line 2). Information on non-taxable income must also be collected since this income clearly contributes to family financial strength and may represent a considerable portion of the parental income of many Basic Grant recipients. Examples of non-taxable income are:

- Welfare benefits.
- Unemployment benefits.
- Social Security benefits received by parents for themselves, for children under 18, and by the applicant himself or herself.
- Veterans benefits such as Death Pensions and Dependency and Indemnity Compensation (DIC). Do NOT include benefits specifically for education (Veterans or Dependents Educational Programs).
- Income from tax-exempt bonds.
- Untaxed portions of capital gains.
- Living and housing allowances (if the allowance is in the form of free room and/or board include the equivalent cash value).
- Any other income not reported in any other item.

NOTE: Include total yearly amount, not monthly payments.

3. One-half of Veterans Educational Benefits (line 3). This item should contain one-half of the total Veterans Educational Benefits the applicant expects to receive in the 1980-81 award period (July 1, 1980--June 30, 1981). The only benefits to be included here are those from the GI Bill and Veterans or Dependents Educational Assistance Programs. Other veterans' benefits, if received by the parents in the 1979 calendar year, should be included in item 2. Other benefits received by the applicant and his or her spouse in the 1979 calendar year should be reported in item 25.

The amount to be entered on line 3 is calculated as follows: multiply the monthly amount of the applicant's Veterans Educational Benefits times the number of months for which these payments are expected to be received between July 1, 1980 and June 30, 1981, and divide the result by two (2).

Example:

\$311 (monthly payment) X 9 months = \$2,799
\$2,799 ÷ 2 = \$1,400
Enter \$1,400 on line 3.

4. Annual Adjusted Family Income in 1979 (line 4). Annual adjusted income is the sum of parents' adjusted gross income (line 1) plus non-taxable income (line 2) plus one-half of Veterans Educational Benefits (line 3).

5. Parents' Federal Income Tax Paid for 1979 (line 5). The legislation authorizing the Basic Grant Program requires that a deduction be made from annual adjusted income for the amount of Federal income tax paid on income received during the base year.

With one exception the figure here is the amount actually paid, not the amount withheld. The "tax paid" figure is on line 47 of IRS Form 1040 or line 14a of Form 1040a. The exception occurs when the parents earned income through employment, had Federal income tax withheld, but are not required to file a tax return and do not file one. (One example of this is where the parent(s) earn income and have Federal income tax withheld, but do not file a tax return because the amount earned is too small to make filing mandatory.) In this case, the amount withheld should be listed as "tax paid." If the parents earned money overseas and completed a foreign tax return, the foreign taxes paid to a central government should be converted to U.S. dollars and listed here.

6. Effective Family Income in 1979 (line 6). The result of subtracting Federal income tax paid (line 5) from the annual adjusted family income (line 4) is the effective family income. This figure is the base for calculating the expected contribution from parental income.

7. Family Size Offset (line 7). In addition to taxes, a family has basic subsistence expenses which must be met before any contribution from income can be expected. These expenses vary depending on the size of the family involved.

The offsets are listed in Table 1 (p. 53). They are derived from the "Weighted Average Thresholds at the Low Income Level" developed by the Social Security Administration and published by the Bureau of the Census. These expenses are based on the food costs for families of given sizes, and make certain assumptions about additional expenses of shelter and other family needs. The offsets are updated every year to accommodate increases in the Consumer Price Index published by the Department of Labor.

For the 1980-81 award period, the family size offsets used during the 1979-80 award period have been increased by 12.2 percent to reflect the rise in cost of living expenses from October 1978 to October 1979, and then rounded to the nearest $50.

8. Unusual Medical Expenses (line 8). The Basic Grant Program has adopted the Internal Revenue Service definitions of medical and dental expenses in determining "unusual expenses" for the Basic Grant Program. The use of Internal Revenue Service definitions avoids the need for creating a new definition of expenses which would be used only by the Basic Grant Program. However, some distinction must be made between expenses which may be itemized for income tax purposes and those itemized expenses which are "unusual" for purposes of the Basic Grant eligibility formula.

The amount of unusual medical expenses which may be deducted from effective family income (line 6 of this worksheet) is that amount in excess of 20 percent of effective family income. This exclusion is designed to confine claims for such expenses to those which are genuinely unusual.

It should be noted that unusual expense amounts should reflect the actual expenses paid during the year and not current unpaid debts incurred as a result of unusual expenses. Insurance premiums cannot be reported, nor can expenses that are paid for by insurance. Only amounts not covered by insurance or not otherwise reimbursable can be listed. If the parents itemized deductions on their 1979 U.S. income tax return, the total of lines 2 and 6, Schedule A, Form 1040, should be entered here.

9. Employment Expense Offset (line 9). In constructing budgets which recognize expenses for families, provision must be made for the expenses of the breadwinner which occur as a result of employment itself. Some expenses for clothing, transportation, and other items are attributable to occupational needs. When both parents work, additional employment expenses are incurred. Also, if a household is headed by a single parent, the costs associated with his or her employment are greater than for a comparable worker who has a non-employed spouse.

Therefore, in the determination of the eligibility index, an "Employment Expense Offset" has been constructed to treat more equitably the income of the two-parent family in which both parents work, or the single parent household.

It is recognized that both of these types of families will occur frequently in the lower-income families for which Basic Grant eligibility is greatest. The offset provides that 50 percent of the earnings of that person with the lesser earnings, or 50 percent of the earnings of the single parent, will be protected from any contribution toward education. The maximum offset is $1,500. Thus, up to $30 a week is available for the additional expenses which these parents face.

10. Unreimbursed Elementary and Secondary School Tuition and Fees (line 10). The Basic Grant Program is required by law to take into consideration the cost for tuition and fees incurred during the base year by families that have dependent children enrolled in private elementary and secondary schools. The amount of tuition and fees for family members enrolled in private elementary and secondary schools which may be deducted from the effective family income (line 6) is that amount paid which was not covered by scholarships, grants, or other forms of student aid. DO NOT include the cost of tuition and fees for dependents in POSTsecondary educational institutions.

11. Total Offsets Against Income (line 11). The sum of line 7 (family size offset) plus line 8 (unusual medical expenses) plus line 9 (employment expense offset) plus line 10 (unreimbursed elementary and secondary school tuition and fees) is the amount which is deducted from effective family income (line 6) in order to determine discretionary income.

12. Parents' Discretionary Income (line 12). The income which remains after an allowance has been made for family living expenses, Federal income taxes, unusual expenses, employment expense offset, and an offset for unreimbursed elementary and secondary school tuition and fees may be identified as discretionary income. This income is available for the purchase of goods and services which enhance the standard of living of the family, including the cost of postsecondary education. This income may be a positive or negative amount. If the discretionary income is a positive amount, some contribution is expected in accordance with step 13. If the discretionary income is a negative amount, no contribution from income is expected.

13. Standard Parental Contribution from Income (line 13). If line 12 is a positive amount, a standard contribution from income can be determined. A standard contribution of 10.5 percent is expected from discretionary income.

This contribution rate appears reasonable in terms of the several demands made on family income, especially in light of the fact that the cost of supporting the student for the academic year is included in the cost of education and does not have to be met from the general budget resources.

NOTE: IF COMPUTING THE INDEX OF AN APPLICANT NOT REPORTING FARM AND/OR BUSINESS ASSETS, PROCEED TO ITEM 14 BELOW.

IF COMPUTING THE INDEX OF AN APPLICANT WHO REPORTS FARM AND/OR BUSINESS ASSETS, TURN TO pp. 15-17, WHICH CONTAIN THE STEPS INVOLVED IN DETERMINING THE PARENTAL CONTRIBUTION FROM FARM AND/OR BUSINESS ASSETS.

14. Parents' Net Assets (line 14). Assets include cash on hand and in savings and checking accounts, trusts that are legally accessible, stocks, bonds and other securities, home (if owned), and other real estate. Since equity is being measured, debts should be subtracted from the gross value of the assets.

15. Asset Reserve (line 15). In order to determine the amount of parental assets which can be considered in determining a contribution for educational purposes, an asset reserve of $25,000 is subtracted from the net assets of the parents. Since families accumulate assets for several purposes including retirement, future consumption, and the postsecondary education of their children, a portion of assets should be reserved from any contribution toward postsecondary education, and remaining assets should be assessed at some rate less than 100 percent. This $25,000 asset reserve allows for emergencies and retirement needs.

16. Available Parental Assets (line 16). Subtracting line 15 (asset reserve) from line 14 (net assets of parents) results in available parental assets. If this is a negative amount, enter zero since there is no provision in the formula for the treatment of negative assets.

17. Standard Contribution from Available Parental Assets (line 17). Once the available parental assets have been determined, an assessment rate of 5 percent will be applied. Because the value of assets grows, this rate of asset assessment will generally leave the family's asset position largely unimpaired. A 5 percent rate is below current real estate and savings account appreciation rates, and therefore seems reasonable.

The result of multiplying the amount of net assets times the asset assessment rate represents the parental contribution from assets.

18. Offset Against Asset Contribution for Negative Discretionary Income (line 18). If the family's income is less than the sum of the various offsets against income, the support of basic family needs must be given priority over the support of postsecondary education. Therefore, the amount of the negative discretionary income of the family (as computed in line 12) is deducted from any contribution from parental assets as calculated above.

19. Contribution from Parental Assets (line 19). This contribution is determined by subtracting the negative income component (line 18) from the standard contribution from assets (line 17). The result (if positive) is the expected parental contribution from assets for educational purposes.

20. Contribution from Parental Income and Assets (line 20). Adding line 13 (standard contribution from income) to line 19 (standard contribution from assets) results in the expected contribution from parents with one family member in postsecondary education.

21. Multiple Student Adjustment (line 21). If a family has more than one member enrolled in postsecondary education for the 1980-81 award period, the figure on line 20 must be adjusted. Since each student has an allowance for cost of attendance, the family's discretionary income is effectively decreased when there is more than one family member in postsecondary education. In order to determine the appropriate percentages, the contributions expected from different family sizes were compared. These investigations indicated that 140 percent of the contribution for one student would be a reasonable assessment against the family with two students. Thus, each student would receive 70 percent of the contribution which the family would make if there were only one student in the

family. Similarly, 150 percent of the single student contribution seemed adequate for the family with three children in postsecondary education. Thus, each student could expect 50 percent of the single student contribution for each child in postsecondary education.

The following table summarizes the treatment of families with different numbers of family members in postsecondary education:

Number of students in postsecondary education	Family contribution for all students as a percent of standard contribution	Contribution per student as a percent of standard contribution
1	100	100
2	140	70
3	150	50
4 or more	160	40

22. Net Assets of Student (and Spouse) (line 22). These are defined in the same fashion as those of the parents. Debts against the assets should be deducted before listing the value of the assets. Trust funds in the student's (or spouse's) name should be included only if the student (or spouse) is not legally restricted from access to these funds.

23. Student's Available Assets (line 23).

a. If the student is married, an asset reserve of $25,000 has been established. This parallels the asset treatment for married independent students, except that there is no additional asset reserve for farm or business assets. Subtracting the $25,000 asset reserve from the student's (and spouse's) net assets gives the available student assets. If this amount is negative, enter 0 on line 23, since there is no provision in the formula for the treatment of negative assets.

b. If the student is not married, enter the amount from line 22 on line 23.

24. Contribution from Student's (and Spouse's) Assets (line 24).

a. If the student is married, multiply the figure on line 23 by .05. This procedure parallels the asset treatment for married independent students.

b. If the student is not married, multiply the figure on line 23 by .33. This assessment rate parallels that for single independent students.

The result of multiplying the student's net assets (line 23) by the appropriate assessment rate is the amount expected from student assets for educational purposes.

25. Student's (and Spouse's) Effective 1979 Income (line 25). This item contains the student's (and spouse's) total non-taxable income (the same type of income described in item 2) plus the student's (and spouse's) total taxable income (wages, salaries, tips, interest, dividends, and any other taxed income), minus total U.S. income tax paid by the student (and spouse). The "tax paid" figure is on line 47 of the IRS Form 1040 or on line 14a of IRS Form 1040A.

26. Dependent Student (and Spouse) Offset (line 26). Since the income of the dependent student (and spouse) is incorporated into the eligibility formula, offsets against that income are provided, just as they are for the parents. However, since the parents' family size offset allows for some of the student's maintenance expenses, the dependent student offset is smaller, in order to avoid double counting of allowances for maintenance expenses.

The single dependent student offset is $2,650; the married dependent student offset is $3,850. These offsets allow for basic subsistence expenses, while insuring that the resources represented by earnings beyond these amounts are not ignored.

27. Student's (and Spouse's) Discretionary Income (line 27). The income which remains after an allowance has been made for family living expenses, and Federal income taxes may be identified as discretionary income. This income is available for the purchase of goods and services which enhance the standard of living, including the cost of postsecondary education. This income may be a positive or negative amount. If the discretionary income is a positive amount, some contribution will be expected. If the discretionary income is a negative amount, no contribution from income will be expected.

28. Standard Contribution from Discretionary Student Income (line 28). If line 27 is a positive amount, a standard contribution from discretionary income can be determined. For single students, 75 percent of discretionary student income (line 27) will be included in computing the eligibility index. For married students, 25 percent of discretionary student income will be included. These assessment rates are identical to those for independent students and reflect the Basic Grant Program's philosophy that the student, as the direct beneficiary of his or her postsecondary education, should be required to contribute a larger portion of his or her resources than would be expected from a parent.

29. Student Eligibility Index (line 29). The student's eligibility index equals the sum of lines 21, 24, and 28. An index of 1600 or less means that a student is eligible for a Basic Grant. To receive a grant, the student must be enrolled at least half-time in an eligible program of study offered by an eligible postsecondary institution.

CALCULATION OF 1980-81 ELIGIBILITY INDEX FOR DEPENDENT STUDENTS WHOSE PARENTS HAVE NO FARM OR BUSINESS ASSETS

1. Parents' adjusted gross income in 1979		____ 1
a. Amount earned from work by father.	____ 1a	
b. Amount earned from work by mother.	____ 1b	
2. Parents' total non-taxable income in 1979 (including student's Social Security benefits).		+ ____ 2
3. One-half of the Veterans Educational Benefits that the student will receive between July 1, 1980 and June 30, 1981.		+ ____ 3
4. Annual adjusted family income (lines 1+2+3).		= ____ 4
5. Parents' Federal income tax paid for 1979.		- ____ 5
6. Effective family income in 1979 (line 4 minus line 5).		= ____ 6
7. Family size offset (Table 1).	____ 7	
8. Unusual medical expenses.	+ ____ 8	
9. Employment expense offset.	+ ____ 9	
10. Unreimbursed elementary and secondary school tuition and fees.	+ ____ 10	
11. Total offsets against income (lines 7+8+9+10).		- ____ 11
12. Parents' discretionary income (line 6 minus line 11).		= ____ 12
13. Standard parental contribution from income. (If line 12 is positive, multiply it by .105; if line 12 is negative, enter 0).		x .105 ____ 13
14. Parents' net assets.		____ 14
15. Asset reserve.		-25,000 15
16. Available parental assets (line 14 minus line 15).		____ 16
17. Standard contribution from available parental assets. (If line 16 is positive, multiply it by .05; if line 16 is negative, enter 0.)		x .05 ____ 17
18. Offset against asset contribution for negative discretionary income. (If line 12 is negative, enter it as a positive number; otherwise enter 0.)		- ____ 18
19. Contribution from parental assets (line 17 minus line 18). If negative, enter 0.		____ 19
20. Contribution from parental income and assets (line 13 plus line 19).		____ 20
21. Multiple student adjustment: multiply line 20 by multiple student rate (Table 2).		x ____ 21
22. Net assets of student (and spouse).		____ 22
23. Student's available assets		
a. If student is married, subtract \$25,000 from the amount on line 22 and enter the result on line 23. If the result is negative, enter 0 on line 23.		

b. If student is single, enter the amount from line 22 on line 4. ______ 23

x ______

24. Contribution from student's (and spouse's) assets. Multiply line 23 by appropriate assessment rate (single student = .33, married student = .05). ______ 24

25. Student's (and spouse's) effective 1979 income (non-taxable income plus taxable income minus U.S. income tax paid). ______ 25

26. Dependent student offset (single student = 2,650, married student = 3,850). - ______ 26

27. Student's (and spouse's) discretionary income (line 25 minus line 26). ______ 27

28. Standard contribution from student income. If line 27 is positive, multiply it by .75 if the student is single, or by .25 if the student is married; if line 27 is negative, enter 0 on line 28. (See Table 5.) x ______

______ 28

29. Student's Eligibility Index = the sum of lines 21, 24, and 28. = ______ 29

15

ASSESSING PARENTS' FARM OR BUSINESS ASSETS: ADDITIONAL STEPS FOR WORKSHEET B

The computation used for determining assessable farm and/or business equity is a more involved procedure, because it must incorporate two basic concepts. These are:

1. To be consistent with the treatment of assets for applicants who do not report farm or business assets, the asset reserve against the home, investments and real estate, and savings may not exceed $25,000. The total reserve against all reported assets for applicants reporting farm and/or business assets may not exceed $50,000. If equity in the home and other assets is less than $25,000, the "left-over" asset reserve may be used against the farm and business assets.

2. A special adjustment is allowed when the debts against farm or business assets exceed the value of those assets.

For these reasons, the computation of available parental assets requires several intermediate computational steps. These steps are as follows:

14. Parents' Net Farm and Business Assets (line 14). Determine equity in farm and/or business assets by establishing the current market value of such assets and deducting the debts against these farm and/or business assets. (For purposes of the Basic Grant formula, "Farm Assets" means any property owned and used in the operation of a farm for profit, including real estate, livestock, livestock products, crops, farm machinery, and other equipment inventories. A farm is not considered to be operated for profit if crops or livestock are raised mainly for the use of the family but some income is derived from incidental sales. "Business Assets" means property that is used in the operation of a trade or business, including real estate, inventories, buildings, machinery and other equipment inventories, patents, franchise rights, and copyrights.)

15. Parents' Net Home and Other Assets (line 15). This item includes cash on hand and in savings and checking accounts, trusts that are legally accessible, stocks, bonds, and other securities, home (if owned), and other real estate. Since equity is being measured, debts should be subtracted from the gross value of the assets.

15a. Adjustment for Negative Farm and Business Assets (line 15a). Use this step only if farm/business assets (line 14) are negative.

If the family has negative farm and/or business assets, that is, if the total gross value is less than the total debts against the assets, such negative amounts are taken into consideration in determining the total asset position of the family. Therefore, when farm and/or business equity is negative, that negative amount is subtracted from any equity in home and/or other assets (line 15). This step reduces the amount of equity in home and other assets that will be available for assessment in steps 16 and 17.

15b. Non-Farm/Non-Business Asset Reserve (line 15b). Use this step only if Farm/Business Assets (line 14) are negative.

Farm and business owners receive a $25,000 reserve for these assets, and another $25,000 reserve for home, real estate, investment, and other assets. If Farm/Business Assets (line 14) are negative, subtract the $25,000 home/real estate/investment reserve from line 15a (remember that line 15a contains a home/real estate/investment value that has been reduced to compensate for negative farm/business assets). Enter the result on line 15d.

15c. Non-Farm/Non-Business Asset Reserve (line 15c). Use this step only when Farm/Business Assets (line 14) are positive.

Farm and business owners receive a $25,000 reserve for these assets, and another $25,000 reserve for home, real estate, investment and other assets. If Farm/Business Assets (line 14) are positive, subtract the $25,000 home/real estate/investment reserve from line 15, which contains the value of these assets. Enter the result on line 15d.

15d. Available Non-Farm and Non-Business Assets (line 15c). The result of subtracting $25,000 from line 15a (or from line 15, where appropriate) is the total available non-farm and non-business value. If this figure is negative, enter zero since there is no provision in the formula for the treatment of negative total assets.

16. Total Assessable Assets (line 16). The maximum offset that any applicant reporting farm and/or business equity can receive against assets is $50,000. Total offsets against home and/or other assets cannot exceed $25,000. Therefore, in considering home and/or other assets the equity in the home and/or other assets must be added in first so as to establish the remaining asset reserve against farm and/or business equity. Further, since the maximum reserve against home and/or other assets is $25,000, the maximum that can be entered from line 15 is $25,000, so that farm and/or business owners are assured of a minimum asset reserve of at least $25,000 on their farm and/or business assets. This minimum could be increased up to $50,000, depending on the amount of asset reserve "used" against home and other assets.

The sum of home and/or other assets from line 15 (up to a maximum of $25,000) and the net farm and/or business assets from line 14 is entered on line 16.

16a. Total Asset Reserve (line 16a). The additional asset reserve for farm and/or business is in consideration of the fact that some occupations require a substantial asset position to make a living. Subtract the total asset reserve of $50,000.

16b. Available Farm and/or Business Assets (line 16b). Subtracting line 16a from line 16 results in available parental farm and/or business assets. (If result is negative, enter zero since there is no provision in the formula for the treatment of negative assets.)

16c. Total Available Parental Assets (line 16c). The sum of line 15d and line 16b is the total available assets subject to the 5 percent assessment rate.

The remaining steps are the same beginning with step 17 (p. 9), which is the asset ,sessment rate.

CALCULATION OF 1980-81 ELIGIBILITY INDEX FOR DEPENDENT STUDENTS WHOSE PARENTS HAVE FARM OR BUSINESS ASSETS

1.	Parents' adjusted gross income in 1979		____ 1
	a. Amount earned from work by father.	____ 1a	
	b. Amount earned from work by mother.	____ 1b	
2.	Parents' total non-taxable income in 1979 (including student's Social Security benefits).		+ ____ 2
3.	One-half of the Veterans Educational Benefits that the student will receive between July 1, 1980 and June 30, 1981.		+ ____ 3
4.	Annual adjusted family income (lines 1+2+3).		= ____ 4
5.	Parents' Federal income tax paid for 1979.		- ____ 5
6.	Effective family income in 1979 (line 4 minus line 5).		= ____ 6
7.	Family size offset (Table 1).	____ 7	
8.	Unusual medical expenses.	+ ____ 8	
9.	Employment expense offset.	+ ____ 9	
10.	Unreimbursed elementary and secondary school tuition and fees.	+ ____ 10	
11.	Total offsets against income (lines 7+8+9+10).		- ____ 11
12.	Parents' discretionary income (line 6 minus line 11).		= ____ 12
13.	Standard parental contribution from income. (If line 12 is positive, multiply it by .105; if line 12 is negative, enter 0).		x .105 ____ 13
14.	Parents' net farm and business assets.		____ 14
15.	Parents' net home and other assets. If negative, enter 0.		____ 15
	If line 14 is negative, do steps 15a, 15b, and 15d. If line 14 is positive, do steps 15c and 15d.		
	a. Adjustment for negative farm and business assets. (If line 14 is negative, deduct from line 15 and enter result on line 15a).	____ 15a	
	b. Non-farm and non-business asset reserve (negative assets). If line 14 is negative, subtract 25,000 from line 15a and enter result on line 15d.	-25,000 15b	
	c. Non-farm and non-business asset reserve (positive assets). If line 14 is positive, subtract 25,000 from line 15 and enter result on line 15d.		-25,000 15c
	d. Available non-farm and non-business assets. If negative, enter 0.		____ 15d
16.	Total assessable assets (add line 14 plus 15). If line 15 exceeds 25,000, add only 25,000 to line 14.		____ 16
	a. Total asset reserve.		-50,000 16a

b. Available farm and business assets (line 16 minus 16a). If negative, enter 0.	16b
c. Total available parental assets (line 15d + line 16b).	16c
17. Standard contribution from available parental assets. (If line 16c is positive, multiply it by .05; if line 16c is negative, enter 0).	x .05 17
18. Offset against asset contribution for negative discretionary income. (If line 12 is negative, enter it as a positive number; otherwise enter 0).	- 18
19. Contribution from parental assets (line 17 minus line 18). If negative, enter 0.	19
20. Contribution from family income and parental assets. (Line 13 + line 19).	20
21. Multiple student adjustment: multiply line 20 by multiple student rate (Table 2).	21
22. Net assets of student (and spouse).	22
23. Student's available assets a. If student is married, subtract 25,000 from amount on line 22 and enter result on line 23. If result is negative, enter 0 on line 23. b. If student is single, enter amount from line 22 on line 23.	23
24. Contribution from student's (and spouse's) assets. Multiply line 23 by appropriate assessment rate. (Single student = .33, married student = .05).	x 24
25. Student's (and spouse's) effective 1979 income (non-taxable income plus taxable income minus U.S. income tax paid).	25
26. Dependent student offset (single student = 2,650, married student = 3,850).	- 26
27. Student's (and spouse's) discretionary income (line 25 minus line 26).	27
28. Standard contribution from student income. If line 27 is positive, multiply it by .75 if the student is single, or by .25 if the student is married. If line 27 is negative, enter 0 on line 28. (See Table 4).	x 28
29. Student's Eligibility Index = the sum of lines 21, 24, and 28.	= 29

CALCULATION OF 1980-81 ELIGIBILITY INDEX FOR INDEPENDENT STUDENTS WITH A FAMILY SIZE OF ONE

For purposes of the Basic Grant Program, an "independent" student is one who:

1. Has not been and will not be claimed as an exemption for Federal income tax purposes by the parent(s) for 1979 or 1980;

2. Has not received and will not receive financial assistance of more than $750 (in cash or kind) from his/her parent(s) in 1979 or 1980; and

3. Has not lived and will not live for more than a total of six weeks in the home of a parent in 1979 or 1980.

"Parent" means the applicant's mother and/or father or adoptive parents. It does not mean foster parents or guardians.

If the answer to all questions for both years is no, the applicant is considered independent for purposes of the Basic Grant Program. The eligibility index for the independent applicant who has no dependents will be calculated according to the following procedures:

1. Adjusted Gross Income (line 1). All income which is available to the applicant should be considered in the evaluation of ability to support the cost of postsecondary education. The most valid reference for taxable income is the Adjusted Gross Income item as reported on line 31 of the 1979 IRS Form 1040 or line 11 of the 1979 IRS Form 1040A. This information is readily available and can be verified by referring to the IRS forms actually filed.

The decision as to which year's income is to be considered for independent students is a difficult one. Traditionally, a student's income may vary considerably from year to year. While it may be preferable to ask the student to estimate his or her earnings for the current year, recent studies have shown that estimated income is not a reliable base for determining student financial need, and serious reservations exist as to the categoric use of estimated income for all independent applicants. Therefore, it has been determined that the adjusted gross income to be considered is that amount entered on the previous year's Federal income tax return. This also has the advantage of being consistent with the data collected for dependent students and assures that the eligibility index of all students is determined from the same base.

2. Total Non-taxable Income in 1979 (line 2). Information on non-taxable income must also be collected since this income clearly contribute to financial strength and may represent a considerable portion of the income of many Basic Grant recipients. Examples of non-taxable income are:

- Welfare benefits.
- Unemployment benefits.
- Social Security benefits.

- Veterans benefits such as Death Pensions and Dependency and Indemnity Compensation (DIC). Do NOT include benefits specifically for education (Veterans or Dependents Educational Programs.).
- Income from tax-exempt bonds.
- Untaxed portions of capital gains.
- Living and housing allowances (if the allowance is in the form of free room and/or board, include the equivalent cash value).
- Any other income not reported in any other item.

NOTE: Include total yearly amount, not monthly payments.

3. One-half of Veterans Educational Benefits (line 3). This item should contain one-half of the total Veterans Educational Benefits the applicant expects to receive in the 1980-81 award period (July 1, 1980--June 30, 1981). The only benefits to be included here are those from the GI Bill and Veterans or Dependents Educational Assistance Programs. Other veterans' benefits received by the applicant in 1979 should be reported in item 2.

The amount to be entered on line 3 is calculated as follows: multiply the monthly amount of the applicant's Veterans Educational Benefits times the number of months for which these payments are expected to be received between July 1, 1980 and June 30, 1981, and divide the result by two (2).

Example:

$311 (monthly payment) X 9 months = $2,799
$2,799 ÷ 2 = $1,400
Enter $1,400 on line 3.

4. Annual Adjusted Income in 1979 (line 4). Annual adjusted income is the sum of adjusted gross income (line 1) plus non-taxable income (line 2) plus one-half of Veterans Educational Benefits (line 3).

5. Federal Income Tax Paid for 1979 (line 5). The legislation authorizing the Basic Grant Program requires that a deduction be made from annual adjusted income for the amount of Federal income tax paid on income received during the base year. The figure here is the amount actually paid, not the amount withheld. The "tax paid" figure is on line 47 of the IRS Form 1040 or line 14a of Form 1040A.

The exception occurs when the applicant earned income through employment, had Federal income tax withheld, but is not required to file a tax return and did not file one. (One example of this is where the applicant earns income and has Federal income tax withheld, but did not file a tax return because the amount earned was too small to make filing mandatory.) In this case, the amount withheld should be listed as "tax paid."

If the applicant earned money overseas and completed a foreign tax return, the foreign taxes paid to a central government should be converted to U.S. dollars and listed here.

6. Effective Income in 1979 (line 6). The result of subtracting Federal income tax paid (line 5) from the annual adjusted income (line 4) is the student's effective income. This figure is the base for calculating the expected contribution from income.

7. Family Size Offset (line 7). In addition to taxes, a family has basic subsistence expenses which must be met before any contribution from income can be expected. These expenses vary depending on size of the family involved.

The offsets are derived from the "Weighted Average Thresholds at the Low Income Level," developed by the Social Security Administration and published by the Bureau of the Census. These expenses are based on the food costs for families of given sizes, and make certain assumptions about additional expenses of shelter and other family needs. The offsets are updated every year to accommodate increases in the Consumer Price Index published by the Department of Labor.

For the 1980-81 award period, the family size offsets used during the 1979-80 award period have been increased by 12.2 percent to reflect the rise in cost of living expenses from October 1978 to October 1979, and then rounded to the nearest $50. The family size offset for an independent student with a family size of one is $3,850.

8. Unusual Medical Expenses (line 8). The Basic Grant Program has adopted the Internal Revenue Service definitions of medical and dental expenses in determining "unusual medical expenses" for the Basic Grant Program. The use of Internal Revenue Service definitions avoids the need for creating a new definition of expenses which would be used only by the Basic Grant Program. However, some distinction must be made between expenses which may be itemized for income tax purposes and those itemized expenses which are "unusual" for purposes of the Basic Grant eligibility formula.

The amount of unusual medical expenses which may be deducted from effective family income (line 6 of this worksheet) is that amount in excess of 20 percent of effective family income. This exclusion is designed to confine claims for such expenses to those which are genuinely unusual.

It should be noted that unusual expense amounts should reflect the actual expenses paid during the year and not current unpaid debts incurred as a result of unusual expenses. Insurance premiums cannot be reported, nor can expenses that are paid for by insurance. Only amounts not covered by insurance or not otherwise reimbursable can be listed. If the applicant itemized deductions on his or her 1979 U.S. income tax return, the total of lines 2 and 6, Schedule A, Form 1040, should be entered here.

9. Total Offsets Against Income (line 9). The sum of line 7 (family size offset) plus line 9 (unusual medical expenses) is the total amount which is deducted from effective income (line 6) in order to determine discretionary income.

10. Discretionary Income (line 10). The income which remains after an allowance has been made for living expenses, Federal income taxes, and unusual medical expenses may be identified as discretionary income. This income is available for the purchase of goods and services which enhance the standard of living,

including the cost of postsecondary education. This income may be a positive or negative amount. If the discretionary income is a positive amount, some contribution will be expected in accordance with step 11. If the discretionary income is a negative amount, no contribution from income will be expected.

11. Standard Contribution from Income (line 11). Independent students benefit directly and permanently from their educations. Traditionally, they have been required to contribute a much greater part of their discretionary income for educational purposes than have the parents of dependent students. In fact, these students usually have been expected to contribute 100 percent of this income.

For the single independent student, the Basic Grant formula requires a 75 percent contribution from discretionary income. This percentage is consistent with the traditional view of an independent student's responsibility to help finance his or her education. At the same time, this assessment rate protects one-quarter of the student's discretionary income from assessment for educational purposes.

If line 10 is positive, multiply it by .75. If line 10 is negative, enter zero.

12. Student's Net Assets (line 12). Assets include cash on hand and in savings and checking accounts, trusts that are legally accessible, stocks, bonds, and other securities, home (if owned), and other real estate. Since equity is being measured, debts should be subtracted from the gross value of the assets.

13. Standard Contribution from Assets (line 13). Since independent students benefit directly and permanently from their education, it is fair to ask that these students use a greater percentage of their assets to help pay for their education than is asked of the parents of dependent students.

One-third (.33) of the student's assets (recalculated each year) is assessed for educational expenses. This method is simple and leaves a modest reserve for the student.

14. Adjustment for Negative Discretionary Income of the Student (line 14). If the student's income is less than the sum of the various offsets against income, the support of basic needs must be given priority over the support of postsecondary education. Therefore, the amount of the negative discretionary income of the applicant (as computed in line 10) is deducted from any contribution from the student's assets as calculated above.

15. Contribution from Student Assets (line 15). The total measure of available resources in a particular year results from the assessment of both the income and assets of the applicant. The formula is designed to take into consideration the interdependent relationship between assets and income. This is accomplished by offsetting the negative income component (line 14) against the independent student's contribution from assets (line 13). The resulting amount, if positive, represents the applicant's contribution from assets for educational purposes.

16. Standard Contribution from Income and Assets (line 16). The amount of standard contribution from the applicant's income (line 11) and the amount of contribution from the assets of the applicant (line 15) are combined to determine the amount of expected contribution from his or her income and assets for educational

purposes. This figure is the applicant's student eligibility index number. If it is 1600 or less, the applicant is eligible for a Basic Grant. To receive the grant, he or she must be enrolled at least half-time in an eligible course of study offered by an eligible school.

CALCULATION OF 1980-81 ELIGIBILITY INDEX FOR INDEPENDENT STUDENTS WITH A FAMILY SIZE OF ONE

1. Student's adjusted gross income in 1979.		1
2. Student's total non-taxable income in 1979.		+ 2
3. One-half of the Veterans Educational Benefits that the student will receive between July 1, 1980 and June 30, 1981.		+ 3
4. Annual adjusted income (lines 1+2+3).		= 4
5. Student's Federal income tax paid for 1979.		− 5
6. Effective income (line 4 minus line 5).		= 6
7. Family size offset.	3850 7	
8. Unusual medical expenses.	+ 8	
9. Total offsets against income (lines 7+8).		− 9
10. Student's discretionary income (line 6 minus line 9).		= 10
11. Standard contribution from income. (If line 10 is positive, multiply it by .75; if line 10 is negative, enter 0.)		11
12. Student's net assets.		12
13. Standard contribution from assets. Multiply line 12 by .33.		X .33 13
14. Offset against asset contribution for negative discretionary income. (If line 10 is negative, enter it as a positive number, otherwise enter 0).		14
15. Contribution from student assets (line 13 minus line 14). If result is negative, enter 0.		15
16. Student's Eligibility Index = the sum of lines 11 and 15.		16

CALCULATION OF ELIGIBILITY INDEX FOR INDEPENDENT STUDENTS WITH A FAMILY SIZE GREATER THAN ONE

NOTE: Two worksheets have been developed for calculating the indices of these students. These worksheets are identical except for the assessment of assets. If you do not report farm and/or business assets, use Worksheet D. If you do report farm and/or business assets, use Worksheet E.

1. Student's (and Spouse's) Adjusted Gross Income in 1979 (line 1). All income which is available to the applicant (and spouse) should be considered in the evaluation of his or her ability to support the cost of postsecondary education. The most valid reference for income subject to Federal income tax is the adjusted gross income item in the family's Federal income tax return (line 31 of the 1979 IRS Form 1040 or line 11 of the 1979 IRS Form 1040A). This information is readily available to most families and the information can be verified by referring to the IRS forms actually filed by the applicant (and spouse).

The decision as to which year's income is to be considered is a difficult one for independent students. Traditionally, a student's income may vary considerably from year to year. While it may be preferable to ask the student to estimate his or her earnings for the current year, recent studies have shown that estimated income is not a reliable base for determining student financial need, and serious reservations exist as to the categoric use of estimated income for all independent applicants.

Therefore, it has been determined that the adjusted gross income to be considered is that amount entered on the previous year's Federal income tax return. This also has the advantage of being consistent with the data collected for dependent students and assures that the eligibility index of all students is determined from the same base. The amount to be entered here, therefore, is the amount entered on the 1979 Federal income tax return. However, if the student (and spouse) earned income overseas and did not file a U.S. income tax return, those earnings would be converted to U.S. dollars and reported in this item.

Item 1a requests the income earned through employment by the applicant; item 1b requests the same information for the spouse. This information is used to determine whether or not the family is eligible for the employment expense offset.

Although lines 1a and 1b often add up to the adjusted gross income reported on line 1, there are a number of instances where they may not. For example, line 1 may be less than the sum of lines 1a and 1b if the applicant and spouse have claimed on their tax return "adjustments to income" for such items as moving expenses, employee business expenses, payments to an IRA or Keogh account, interest penalties on early withdrawal of savings, alimony payments, and disability income exclusions.

Similarly, line 1 may be greater than the sum of lines 1a and 1b if, in addition to income earned through employment, the applicant and spouse have reported on their tax form other taxable income such as interest, dividends, business income, taxable portions of capital gains, or taxable pensions.

2. Total Non-taxable Income in 1979 (line 2). Information on non-taxable income must also be collected since this income clearly contributes to family financial strength and may represent a considerable portion of the income of many Basic Grant recipients. Examples of non-taxable income are:

- Welfare benefits.
- Unemployment benefits.
- Social Security benefits received by the applicant (and spouse).
- Veterans benefits such as Death Pensions and Dependency and Indemnity Compensation (DIC). Do not include benefits specifically for education (Veterans or Dependents Educational Programs).
- Income from tax-exempt bonds.
- Untaxed portions of capital gains.
- Living and housing allowances (if the allowance is in the form of free room and/or board, report the equivalent cash value).
- Any other income not reported in any other item.

NOTE: Include total yearly amount, not monthly payments.

3. One-half of Student's Veterans Educational Benefits (line 3). This item should contain one-half of the total Veterans Educational Benefits the applicant expects to receive in the 1980-81 award period (July 1, 1980--June 30, 1981). The only benefits to be included here are those from the GI Bill and Veterans or Dependents Educational Assistance Programs. Other veterans benefits received in 1979 should be included in item 2.

The amount to be entered on line 3 is calculated as follows: multiply the monthly amount of the applicant's Veterans Educational Benefits times the number of months for which these payments are expected to be received between July 1, 1980 and June 30, 1981, and divide the result by two (2).

Example:

$311 (monthly payment) X 9 months = $2,799
$2,799 ÷ 2 = $1,400
Enter 1,400 on line 3.

4. Annual Adjusted Income in 1979 (line 4). Annual adjusted income is the sum of the student's (and spouse's) adjusted gross income (line 1) plus non-taxable income (line 2) plus one-half of the student's Veterans Educational Benefits (line 3).

5. Student's (and Spouse's) Federal Income Tax Paid for 1979 (line 5). The legislation authorizing the Basic Grant Program requires that a deduction be made from annual adjusted income for the amount of Federal income tax paid on income received during the base year. The figure here is the amount actually paid, not the amount withheld.

With one exception, the "tax paid" figure is on line 47 of IRS Form 1040 or line 14a of IRS Form 1040A. The exception occurs when the student (and spouse) earned income through employment, had Federal income tax withheld, but are not required to file a tax return and do not file one. (One example of this is where the student (and spouse) earn income and have Federal income tax withheld, but do not file a tax return because the amount earned is too small to make filing mandatory.) In this case, the amount withheld should be listed as "tax paid."

If the student (and spouse) earned money overseas and completed a foreign tax return, the foreign taxes paid to a central government should be converted to U.S. dollars and listed here.

6. Effective Income in 1979 (line 6). The result of subtracting Federal income tax paid (line 5) from the annual adjusted income (line 4) is the effective income. This figure is the base for calculating the expected contribution from income.

7. Family Size Offset (line 7). In addition to taxes, a family has basic subsistence expenses which must be met before any contribution from income can be expected. These expenses vary depending on the size of the family involved.

The offsets are listed in Table 1 (p. 53). They are derived from the "Weighted Average Thresholds at the Low Income Level," developed by the Social Security Administration and published by the Bureau of the Census. These expenses are based on the food costs for families of given sizes, and make certain assumptions about additional expenses of shelter and other family needs. The offsets are updated every year to accommodate increases in the Consumer Price Index published by the Department of Labor.

For the 1980-81 award period, the family size offsets used during the 1979-80 award period have been increased by 12.2 percent to reflect the rise in cost of living expenses from October 1978 to October 1979, and then rounded to the nearest $50.

8. Unusual Medical Expenses (line 8). The Basic Grant Program has adopted the Internal Revenue Service definitions of medical and dental expenses in determining "unusual expenses" for the Basic Grant Program. The use of Internal Revenue Service definitions avoids the need for creating a new definition of expenses which would be used only by the Basic Grant Program. However, some distinction must be made between medical expenses which may be itemized for income tax purposes and those itemized expenses which are "unusual" for purposes of the Basic Grant eligibility formula.

The amount of unusual medical expenses which may be deducted from effective family income (line 6 of the worksheet) is that amount in excess of 20 percent of effective income. This exclusion is designed to confine claims for such expenses to those which are genuinely unusual.

It should be noted that unusual expense amounts should reflect the actual expenses paid during the year and not current unpaid debts incurred as a result of unusual expenses. Insurance premiums cannot be reported, nor can expenses that are paid for by insurance. Only amounts not covered by insurance or not otherwise reimbursable can be listed. If the student (and spouse) itemized deductions on their 1979 U.S. income tax return, the total of lines 2 and 6, Schedule A, Form 1040, should be entered here.

9. Employment Expense Offset (line 9). In constructing budgets which recognize expenses for families, due provisions must be made for the expenses of the bread-winner which occur as a result of employment itself. Some expenses for clothing, transportation, and other items are attributable to occupational

needs. When both student and spouse work, additional employment expenses are incurred. Also, if a household is headed by a single parent, the costs associated with his or her employment are greater than for a comparable worker who has a non-employed spouse.

Therefore, in the determination of the eligibility index, an "Employment Expense Offset" has been constructed to treat more equitably the income of the household in which both student and spouse work, or the single parent household. It is recognized that both of these types of families will occur frequently in the lower-income families for which Basic Grant eligibility is greatest. The offset provides that 50 percent of the earnings of that person with the lesser earnings, or 50 percent of the earnings of the single student with dependents, will be protected from any contribution toward education. The maximum offset is $1,500. Thus, up to $30 a week is available for the additional expenses which these students face.

10. Unreimbursed Elementary and Secondary School Tuition and Fees (line 10). The Basic Grant Program is required by law to take into consideration the cost for tuition and fees incurred during the base year by families that have dependent children enrolled in private elementary and secondary schools. The amount of tuition and fees for family members enrolled in private elementary and secondary schools which may be deducted from the effective family income (line 6) is that amount paid which was not covered by scholarships, grants, or other forms of student aid. DO NOT include the cost of tuition and fees for dependents in POSTsecondary educational institutions.

11. Total Offsets Against Income (line 11). The sum of line 7 (family size offset) plus line 8 (unusual expenses) plus line 9 (employment expense offset) plus line 10 (unreimbursed elementary and secondary school tuition and fees) is the amount which is deducted from effective family income (line 6) in order to determine discretionary income.

12. Student's (and Spouse's) Discretionary Income (line 12). The income which remains after an allowance has been made for family living expenses, Federal income taxes, unusual expenses, employment expense offset, and an offset for unreimbursed elementary and secondary school tuition and fees may be identified as discretionary income. This income is available for the purchase of goods and services which enhance the standard of living of the family, including the cost of postsecondary education. This income may be a positive or negative amount. If the discretionary income is a positive amount, some contribution is expected in accordance with step 13. If the discretionary income is a negative amount, no contribution from income is expected.

13. Standard Contribution from Income (line 13). Independent students benefit directly and permanently from their educations. Traditionally, they have been required to contribute a much greater part of their discretionary income for educational purposes then have the parents of dependent students. In fact, these students usually have been expected to contribute 100 percent of this income.

For the independent student with dependents, the Basic Grant formula requires a 25 percent contribution from discretionary income. While this rate is greater than that required of parents of dependent students, it is less than the rate for independent students who have no dependents other than themselves.

This assessment rate is thus consistent with the traditional view of the independent student's responsibility to help finance his or her education. At the same time it recognizes that, if a student has dependents, there are greater demands on his or her resources than there are on the resources of a student in similar circumstances who has no dependents.

If line 12 is positive, multiply it by .25. If it is negative, enter zero.

NOTE: IF COMPUTING THE INDEX OF AN APPLICANT NOT REPORTING FARM AND/OR BUSINESS ASSETS, PROCEED TO LINE 14 BELOW.

IF COMPUTING THE INDEX OF AN APPLICANT WHO REPORTS FARM AND/OR BUSINESS ASSETS, TURN TO pp. 35-37, WHICH CONTAIN THE STEPS INVOLVED IN DETERMINING THE CONTRIBUTION FROM FARM AND/OR BUSINESS ASSETS.

14. Student (and Spouse's) Net Assets (line 14). Assets include cash on hand and in savings and checking accounts, trusts that are legally accessible, stocks, bonds, and other securities, home (if owned), and other real estate. Since equity is being measured, debts should be subtracted from the gross value of the assets.

15. Asset Reserve (line 15). In order to determine the amount of assets which can be considered in determining a contribution for educational purposes, an asset reserve of $25,000 is subtracted from the net assets of the student (and spouse). Since families accumulate assets for several purposes including retirement, future consumption, and postsecondary education, a portion of assets should be reserved from any contribution toward postsecondary education, and remaining assets should be assessed at some rate less than 100 percent. This $25,000 asset reserve also allows for emergencies and retirement needs.

16. Available Assets (line 16). Subtracting line 15 (asset reserve) from line 14 (net assets) results in available assets. If this is a negative amount, enter zero since there is no provision in the formula for the treatment of negative assets.

17. Standard Contribution from Available Assets (line 17). Once the available assets have been determined, an assessment rate of 5 percent will be applied. Because the value of assets grows, this rate of asset assessment will generally leave the family's asset position largely unimpaired. A 5 percent rate is below current real estate and savings account appreciation rates, and therefore seems reasonable.

The result of multiplying the amount of net assets times the asset assessment rate represents the standard contribution from assets.

18. Offset Against Asset Contribution for Negative Discretionary Income (line 18). If the family's income is less than the sum of the various offsets against income, the support of basic family needs must be given priority over the support of postsecondary education. Therefore, the amount of the negative discretionary income of the family (as computed in line 12) is deducted from any contribution from assets as calculated above.

19. Contribution from Assets (line 19). This contribution is determined by subtracting the negative income component (line 18) from the standard contribution from assets (line 17). The result (if positive) is the expected contribution from assets for educational purposes.

20. Contribution from Income and Assets (line 20). Adding line 13 (standard contribution from income) to line 19 (standard contribution from assets) results in the expected contribution from a family with one member in postsecondary education.

21. Multiple Student Adjustment (line 21). If a family has more than one member enrolled in postsecondary education for the 1980-81 award period, the figure on line 20 must be adjusted.

Since each student has an allowance for cost of attendance, the family's discretionary income is effectively decreased when there is more than one family member in postsecondary education. In order to determine the appropriate percentages, the contributions expected from different family sizes were compared. These investigations indicated that 140 percent of the contribution for one student would be a reasonable assessment against the family with two students. Thus each student would receive 70 percent of the contribution which the family would make if there were only one student in the family. Similarly, 150 percent of the single student contribution seemed adequate for the family with three members in postsecondary education. Thus, each student could expect 50 percent of the single student contribution for each person in postsecondary education.

The following table summarizes the treatment of families with different numbers of family members in postsecondary education:

Number of students in postsecondary education	Family contribution for all students as a percent of standard contribution	Contributions per student as a percent of standard contribution
1	100	100
2	140	70
3	150	50
4 or more	160	40

22. Student Eligibility Index (line 22). The student eligibility index number equals line 21. An index of 1600 or less means the student is eligible for a Basic Grant. To receive the grant, he or she must be enrolled at least half-time in an eligible program of study offered by an eligible school.

ASSESSING STUDENT'S (AND SPOUSE'S) FARM
OR BUSINESS ASSETS: ADDITIONAL STEPS
FOR WORKSHEET E

The computation used for determining assessable farm and/or business equity is a more involved procedure, because it must incorporate two basic concepts. These are:

1. To be consistent with the treatment of assets for applicants who do not report farm or business assets, the asset reserve against the home, investments and real estate, and savings may not exceed $25,000. The total reserve against all reported assets for applicants reporting farm and/or business assets may not exceed $50,000. If equity in the home and other assets is less than $25,000, the "left-over" asset reserve may be used against the farm and business assets.

2. A special adjustment is allowed when the debts against farm or business assets exceed the value of those assets.

For these reasons the computation of the available assets of the student (and spouse) requires several intermediate computational steps. These steps are as follows:

14. Student's (and Spouse's) Net Farm and Business Assets (line 14). Determine equity in farm and/or business assets by establishing the current market value of such assets and deducting the debts against these farm and/or business assets. (For purposes of Basic Grants, "Farm Assets" means any property owned and used in the operation of a farm for profit, including real estate, livestock, livestock products, crops, farm machinery, and other equipment inventories. A farm is not considered to be operated for profit if crops or livestock are raised mainly for the use of the family but some income is derived from incidental sales. "Business Assets" means property that is used in the operation of a trade or business, including real estate, inventories, buildings, machinery and other equipment inventories, patents, franchise rights and copyrights.)

15. Student's (and Spouse's) Net Home and Other Assets (line 15). This item includes cash on hand and in savings and checking accounts, trusts that are legally accessible, stocks, bonds, and other securities, home (if owned) and other real estate. Since equity is being measured, debts against the assets should be subtracted.

15a. Adjustment for Negative Farm and Business Assets (line 15a). Use this step only when farm/business assets (line 14) are negative.

If the family has negative farm and/or business assets, that is, when the sum of the total value is less than the total debts against the assets, such negative amounts are taken into consideration in determining the total asset position of the family. Therefore, when farm and/or business equity is negative, that negative amount is subtracted from any equity in home and/or other assets (line 15). This step reduces the amount of equity in home and other assets that will be available for assessment in steps 16 and 17.

15b. Non-Farm/Non-Business Asset Reserve (line 15b). Use this step only if farm/business assets (line 14) are negative.

Farm and business owners receive a $25,000 reserve for these assets, and another $25,000 reserve for home, real estate, investment and other assets. If farm/business assets (line 14) are negative, subtract the $25,000 home/real estate/investment reserve from line 15a (remember that line 15a contains a home/real estate/investment value that has been reduced to compensate for negative farm/business assets). Enter the result on line 15d.

15c. Non-Farm/Non-Business Asset Reserve (line 15c). Use this step only when farm/business assets (line 14) are positive.

Farm and business owners receive a $25,000 reserve for these assets, and another $25,000 reserve for home, real estate, investment and other assets. If farm/business assets (line 14) are positive, subtract the $25,000 home/real estate/etc. reserve from line 15, which contains the value of these assets. Enter the result on line 15d.

15d. Available Non-Farm and Non-Business Assets (line 15c). The result of subtracting $25,000 from line 15a (or from line 15, where appropriate) is the total available non-farm and non-business value. If this figure is negative, enter zero since there is no provision in the formula for the treatment of negative total assets.

16. Total Assessable Assets (line 16). The maximum offset that any applicant reporting farm and/or business equity can receive against assets is $50,000. Total offsets against home and/or other assets cannot exceed $25,000. Therefore, in considering home and/or other assets the equity in the home and/or other assets must be added in first so as to establish the remaining asset reserve against farm and/or business equity. Further, since the maximum reserve against home and/or other assets is $25,000, the maximum that can be entered from line 15 is $25,000, so that farm and/or business owners are assured of a minimum asset reserve of at least $25,000 on their farm and/or business assets. This minimum could be increased up to $50,000, depending on the amount of asset reserve "used" against home and other assets.

The sum of home and/or other assets from line 15 (up to a maximum of $25,000) and the net farm and/or business assets from line 14 is entered on line 16.

16a. Total Asset Reserve (line 16a). The additional asset reserve for farm and/or business is in consideration of the fact that some occupations require a substantial asset position to make a living. Subtract the total asset reserve of $50,000.

16b. Available Farm and/or Business Assets (line 16b). Subtracting line 16a from line 16 results in available farm and/or business assets. (If result is negative, enter zero since there is no provision in the formula for the treatment of negative assets).

16c. <u>Total Available Assets (line 16c)</u>. The sum of line 15d and line 16b results in total available assets subject to the 5 percent assessment rate.

The remaining steps are the same beginning with step 17 (p. 33), which is the asset assessment rate.

WORKSHEET D

CALCULATION OF 1980-81 ELIGIBILITY INDEX FOR INDEPENDENT STUDENTS WITH A FAMILY SIZE GREATER THAN ONE HAVING NO FARM OR BUSINESS ASSETS

1.	Student's (and spouse's) adjusted gross income in 1979		______ 1
	a. Amount earned from work by student.	______ 1a	
	b. Amount earned from work by spouse.	______ 1b	
2.	Student's (and spouse's) total non-taxable income in 1979.		+ ______ 2
3.	One-half of the Veterans Educational Benefits that the student will receive between July 1, 1980 and June 30, 1981.		+ ______ 3
4.	Annual adjusted income (lines 1+2+3).		= ______ 4
5.	Student's (and spouse's) Federal income tax paid for 1979.		- ______ 5
6.	Effective income (line 4 minus line 5).		= ______ 6
7.	Family size offset (Table 1).	______ 7	
8.	Unusual medical expenses.	+ ______ 8	
9.	Employment expense offset.	+ ______ 9	
10.	Unreimbursed elementary and secondary school tuition and fees.	+ ______ 10	
11.	Total offsets against income (lines 7+8+9+10).		- ______ 11
12.	Discretionary income (line 6 minus line 11).		= ______ 12
13.	Standard contribution from income. (If line 12 is positive, multiply it by .25. If line 12 is negative, enter 0).		______ 13
14.	Net assets of student (and spouse).		______ 14
15.	Asset reserve.		-25,000 15
16.	Available assets (line 14 minus line 15).		______ 16
17.	Standard contribution from available assets. (If line 16 is positive, multiply it by .05; if line 16 is negative, enter 0).		X .05 ______ 17
18.	Offset against asset contribution for negative discretionary income. (If line 12 is negative, enter it as a positive number; otherwise enter 0).		______ 18
19.	Contribution from assets (line 17 minus line 18). If negative, enter 0.		______ 19
20.	Contribution from income and assets (lines 13 + 19).		______ 20
21.	Multiple student adjustment. Multiply line 20 by multiple student rate (Table 2).		______ 21
22.	Student Eligibility Index = line 21.		______ 22

CALCULATION OF 1980-81 ELIGIBILITY INDEX FOR INDEPENDENT STUDENTS WITH A FAMILY SIZE GREATER THAN ONE HAVING FARM OR BUSINESS ASSETS

1. Student's (and spouse's) adjusted gross income in 1979		1
a. Amount earned from work by student.	1a	
b. Amount earned from work by spouse.	1b	
2. Student's (and spouse's) total non-taxable income in 1979.		2
3. One-half of the Veterans Educational Benefits that the student will receive between July 1, 1980 and June 30, 1981.		+ 3
4. Annual adjusted income (lines 1+2+3).		= 4
5. Student's (and spouse's) Federal income tax paid for 1979.		- 5
6. Effective income (line 4 minus line 5).		= 6
7. Family size offset (Table 1).	7	
8. Unusual medical expenses.	+ 8	
9. Employment expense offset.	+ 9	
10. Unreimbursed elementary and secondary school tuition and fees.	+ 10	
11. Total offsets against income (lines 7+8+9+10).		- 11
12. Discretionary income (line 6 minus line 11).		= 12
13. Standard contribution from income. (If line 12 is positive, multiply it by .25. If line 12 is negative, enter 0).		13
14. Net farm and business assets of student (and spouse).		14
15. Net home and other assets of student (and spouse). If negative, enter 0.		15
If line 14 is negative, do steps 15a, 15b, and 15d. If line 14 is positive, do steps 15c and 15d.		
a. Offset for negative farm and business assets. (If line 14 is negative, deduct from line 15 and enter result on line 15a).	15a	
b. Non-farm and non-business asset reserve (negative assets). If line 14 is negative, subtract $25,000 from line 15a and enter result on line 15d.	-25,000 15b	
c. Non-farm and non-business asset reserve (positive assets). If line 14 is positive, subtract $25,000 from line 15 and enter result on line 15d.		-25,000 15c
d. Available non-farm and non-business assets. If negative, enter 0.		15d

16. Total assessable assets. Add lines 14 and 15 (if line 15 exceeds $25,000, add only $25,000 to line 14).	______ 16
a. Subtract total asset reserve.	-50,000 16a
b. Available farm and business assets (if negative, enter 0).	______ 16b
c. Total available assets (line 15d + line 16b).	______ 16c
17. Standard contribution from available assets. (If line 16c is positive, multiply it by .05; if line 16c is negative, enter 0).	X .05
18. Offset against asset contribution for negative discretionary income. (If line 12 is negative, enter it as a positive number; otherwise enter 0.)	______ 18
19. Contribution from assets (line 17 minus line 18). If negative, enter 0.	______ 19
20. Contribution from income and assets (lines 13 + 19).	______ 20
21. Multiple student adjustment. Multiply line 20 by multiple student rate (Table 2).	______ 21
22. Student's Eligibility Index = line 21.	______ 22

CASE STUDY #1

A dependent applicant has a brother and sister. His father is deceased. His mother earned $10,000 in 1979, and paid $400 in income taxes. She also received $3,000 in Social Security benefits for the brother and sister, who are under 18. The family paid $500 in tuition for the sister to attend a private school. The family's house is worth $45,000, and there is a $25,000 mortgage against it. The family has a total of $500 in checking and savings accounts.

The applicant's effective 1979 income (non-taxable plus taxable income minus U.S. income tax paid) was $2,560. He also has $300 in savings.

WORKSHEET A

CALCULATION OF 1980-81 ELIGIBILITY INDEX FOR DEPENDENT STUDENTS WHOSE PARENTS HAVE NO FARM OR BUSINESS ASSETS

1	Parents' adjusted gross income in 1979		10,000 1
	a. Amount earned from work by father.	0 1a	
	b. Amount earned from work by mother.	10,000 1b	
2.	Parents' total non-taxable income in 1979 (including student's Social Security benefits).		+ 3,000 2
3.	One-half of the Veterans Educational Benefits that the student will receive between July 1, 1980 and June 30, 1981.		+ 0 3
4.	Annual adjusted family income (lines 1+2+3).		=13,000 4
5.	Parents' Federal income tax paid for 1979.		- 400 5
6.	Effective family income in 1979 (line 4 minus line 5).		=12,600 6
7.	Family size offset (Table 1).	7,700 7	
8.	Unusual medical expenses.	+ 0 8	
9.	Employment expense offset.	+ 1,500 9	
10.	Unreimbursed elementary and secondary school tuition and fees.	+ 500 10	
11.	Total offsets against income (lines 7+8+9+10).		9,700 11
12.	Parents' discretionary income (line 6 minus line 11).		2,900 12
13.	Standard parental contribution from income. (If line 12 is positive, multiply it by .105; if line 12 is negative, enter 0).		x .105 305 13
14.	Parents' net assets.		20,500 14
15.	Asset reserve.		-25,000 15
16.	Available parental assets (line 14 minus line 15).		- 4,500 16 x .05
17.	Standard contribution from available parental assets. (If line 16 is positive, multiply it by .05; if line 16 is negative, enter 0).		0 17

18.	Offset against asset contribution for negative discretionary income. (If line 12 is negative, enter it as a positive number, otherwise enter 0).	- 0	18
19.	Contribution from parental assets (line 17 minus line 18). If negative, enter 0.	0	19
20.	Contribution from parental income and assets (line 13 plus line 19).	305	20
21.	Multiple student adjustment: multiply line 20 by multiple student rate (Table 2).	305	21
22.	Net assets of student (and spouse).	300	22
23.	Student's available assets a. If student is married, subtract 25,000 from amount on line 22 and enter result on line 23. If result is negative, enter 0 on line 23. b. If student is single, enter amount from line 22 on line 23.	300	23
24.	Contribution from student's (and spouse's) assets. Multiply line 23 by appropriate assessment rate (single student = .33, married student = .05).	99	24
25.	Student's (and spouse's) effective 1979 income (non-taxable income plus taxable income minus U.S. income tax paid).	2,560	25
26.	Dependent student offset (single student = 2,650, married student = 3,850).	-2,650	26
27.	Student's (and spouse's) discretionary income (line 25 minus line 26).	- 90	27
28.	Standard contribution from discretionary student income. If line 27 is positive, multiply it by .75 if the student is single, or by .25 if the student is married; if line 27 is negative, enter 0 on line 28. (See Table 5).	X 0	28
29.	Student's Eligibility Index = the sum of lines 21, 24, and 28.	= 404	29

CASE STUDY #2

A dependent applicant is married, and she and her husband live with and receive more than half support from her parents. The parents' income is from farm proceeds of $9,000. The parents paid $250 in Federal income tax for 1979. Their farm is worth $80,000, including land, equipment, and livestock, with $20,000 in debts against it. Their home is worth $23,000, with a $17,000 mortgage.

Both the applicant and her husband are students. Together they have a 1979 effective income (non-taxable plus taxable income minus U.S. income tax paid) of $3,800, and they have $5,000 in assets. There is no income from veterans benefits. The applicant has no brothers or sisters.

WORKSHEET B

CALCULATION OF 1980-81 ELIGIBILITY INDEX FOR DEPENDENT STUDENTS WHOSE PARENTS HAVE FARM OR BUSINESS ASSETS

1. Parents' adjusted gross income in 1979		9,000	1
a. Amount earned from work by father.	9,000	1a	
b. Amount earned from work by mother.	0	1b	
2. Parents' total non-taxable income in 1979 (including student's Social Security benefits).		0	2
3. One-half of the Veterans Educational Benefits that the student will receive between July 1, 1980 and June 30, 1981.		+ 0	3
4. Annual adjusted family income (lines 1+2+3).		= 9,000	4
5. Parents' Federal income tax paid for 1979.		- 250	5
6. Effective family income in 1979 (line 4 minus line 5).		= 8,750	6
7. Family size offset (Table 1).	7,700	7	
8. Unusual medical expenses.	+ 0	8	
9. Employment expense offset.	+ 0	9	
10. Unreimbursed elementary and secondary school tuition and fees.	+ 0	10	
11. Total offsets against income (lines 7+8+9+10).		7,700	11
12. Parents' discretionary income (line 6 minus line 11).		1,050	12
13. Standard parental contribution from income. (If line 12 is positive, multiply it by .105; if line 12 is negative, enter 0).		x .105 110	13
14. Parents' net farm and business assets.		60,000	14
15. Parents' net home and other assets (if negative, enter 0)		6,000	15
a. Adjustment for negative farm and business assets. (If line 14 is negative, deduct from line 15 and enter result on line 15a).		15a	

	b. Non-farm and non-business asset reserve (negative assets). If line 14 is negative, subtract 25,000 from line 15a and enter result on line 15d.	-25,000 15b	
	c. Non-farm and non-business asset reserve (positive assets). If line 14 is positive, subtract 25,000 from line 15 and enter result on line 15d.		-25,000 15c
	d. Available non-farm and non-business assets. (If negative, enter 0).		0 15d
16.	Total assessable assets. Add lines 14 and 15 (if line 15 exceeds 25,000, add only 25,000 to line 14)		66,000 16
	a. Subtract total asset reserve.		-50,000 16a
	b. Available farm and business assets (if negative, enter 0).		16,000 16b
	c. Total available parental assets (line 15d + line 16b).		16,000 16c
17.	Standard contribution from available parental assets. (If line 16c is positive, multiply it by .05; if line 16c is negative, enter 0).		x .05 800 17
18.	Offset against asset contribution for negative discretionary income. (If line 12 is negative, enter it as a positive number, otherwise enter 0).		- 0 18
19.	Contribution from parental assets (line 17 minus line 18). If negative, enter 0.		800 19
20.	Contribution from family income and parental assets. (Line 13 + line 19).		910 20
21.	Multiple student adjustment: multiply line 20 by multiple student rate (Table 2).		637 21
22.	Net assets of student (and spouse).		5,000 22
23.	Student's available assets		
	a. If student is married, subtract 25,000 from amount on line 22 and enter result on line 23. If result is negative, enter 0 on line 23.		
	b. If student is single, enter amount from line 22 on line 23.		0 23
24.	Contribution from student's (and spouse's) assets. Multiply line 23 by appropriate assessment rate. (Single student = .33, married student = .05).		x .05 0 24
25.	Student's (and spouse's) effective 1979 income (non-taxable income plus taxable income minus U.S. income tax paid).		3,800 25
26.	Dependent student offset (single student = 2,650, married student = 3,850).		- 3,850 26

27.	Student's (and spouse's) discretionary income (line 25 minus line 26).	- 50 27
28.	Standard contribution from discretionary student income. If line 27 is positive, multiply it by .75 if the student is single, or by .25 if the student is married. If line 27 is negative, enter 0 on line 28. (See Table 4).	X .25 0 28
29.	Student's Eligibility Index = the sum of lines 21, 24, and 28.	= 637 29

CASE STUDY #3

A single independent applicant earned $4,000 in 1979, and paid $100 in U.S. income tax. He will receive veterans benefits of $311 per month in the 1980-81 award period. He has no assets.

WORKSHEET C

CALCULATION OF 1980-81 ELIGIBILITY INDEX FOR INDEPENDENT STUDENTS WITH A FAMILY SIZE OF ONE

1.	Student's adjusted gross income in 1979.		4,000 1
2.	Student's total non-taxable income in 1979.		+ 0 2
3.	One-half of student's Veterans Educational Benefits to be received between July 1, 1980 and June 30, 1981.		+ 1,555 3
4.	Annual adjusted income (lines 1+2+3).		= 5,555 4
5.	Student's Federal income tax paid for 1979.		- 100 5
6.	Effective income (line 4 minus line 5).		= 5,455 6
7.	Family size offset.	3850 7	
8.	Unusual medical expenses.	+ 0 8	
9.	Total offsets against income (lines 7+8).		- 3,850 9
10.	Student's discretionary income (line 6 minus line 9).		= 1,605 10
11.	Standard contribution from income. (If line 10 is positive, multiply it by .75; if line 10 is negative, enter 0.)		1,204 11
12.	Student's net assets.		0 12
13.	Standard contribution from assets. Multiply line 12 by .33.		X .33 0 13
14.	Offset against asset contribution for negative discretionary income. (If line 10 is negative, enter it as a positive number, otherwise enter 0).		0 14
15.	Contribution from student assets (line 13 minus line 14). If result is negative, enter 0.		0 15
16.	Student's Eligibility Index = the sum of lines 11 and 15.		1,204 16

CASE STUDY #4

An independent applicant and spouse have one child. The student worked part-time in 1979 and earned $4,000. The spouse earned $6,000, and the family paid $360 in Federal income tax in 1979. The child is enrolled in a private elementary school and the family paid $400 in tuition and fees during 1979. Only the applicant is enrolled in post-secondary education. The applicant and spouse have total assets of $600 in savings. There is no income from Social Security or Veterans benefits.

WORKSHEET D

CALCULATION OF 1980-81 ELIGIBILITY INDEX FOR INDEPENDENT STUDENTS WITH A FAMILY SIZE GREATER THAN ONE HAVING NO FARM OR BUSINESS ASSETS

1.	Student's (and spouse's) adjusted gross income in 1979		10,000 1
	a. Amount earned from work by student.	4,000 1a	
	b. Amount earned from work by spouse.	6,000 1b	
2.	Student's (and spouse's) total non-taxable income in 1979.		+ 0 2
3.	One-half of student's Veterans Educational Benefits to be received between July 1, 1980 and June 30, 1981.		+ 0 3
4.	Annual adjusted income (lines 1+2+3).		=10,000 4
5.	Student's (and spouse's) Federal income tax paid for 1979.		- 360 5
6.	Effective income (line 4 minus line 5).		= 9,640 6
7.	Family size offset (Table 1).	6,050 7	
8.	Unusual medical expenses.	+ 0 8	
9.	Employment expense offset.	+ 1,500 9	
10.	Unreimbursed elementary and secondary school tuition and fees.	+ 400 10	
11.	Total offsets against income (lines 7+8+9+10).		- 7,950 11
12.	Discretionary income (line 6 minus line 11).		= 1,690 12
13.	Standard contribution from income. (If line 12 is positive, multiply it by .25. If line 12 is negative, enter 0).		423 13
14.	Net assets of student (and spouse).		600 14
15.	Asset reserve.		-25,000 15
16.	Available assets (line 14 minus line 15).		-24,400 16
17.	Standard contribution from available assets. (If line 16 is positive, multiply it by .05; if line 16 is negative, enter 0).		X .05 0 17
18.	Offset against asset contribution for negative discretionary income. (If line 12 is negative, enter it as a positive number, otherwise enter 0).		0 18
19.	Contribution from assets (line 17 minus line 18). If negative, enter 0.		0 19

20.	Contribution from income and assets (lines 13 + 19).	423	20
21.	Multiple student adjustment. Multiply line 20 by multiple student rate (Table 2).	423	21
22.	Student's Eligibility Index = line 21.	423	22

CASE STUDY #5

An independent applicant and spouse have no children. Their income is from farm proceeds of $6,000. The family paid $60 in Federal income tax in 1979. The value of the farm, including livestock and farm machinery, is $95,000. There are farm debts of $60,000. The value of their house is $40,000, and there is a $34,000 mortgage on it. Only the applicant is enrolled in postsecondary education.

WORKSHEET E

CALCULATION OF 1980-81 ELIGIBILITY INDEX FOR INDEPENDENT STUDENTS WITH A FAMILY SIZE GREATER THAN ONE HAVING FARM OR BUSINESS ASSETS

1.	Student's (and spouse's) adjusted gross income in 1979			6,000	1
	a. Amount earned from work by student.	6,000	1a		
	b. Amount earned from work by spouse.	0	1b		
2.	Student's (and spouse's) total non-taxable income in 1979.			0	2
3.	One-half of student's Veterans Educational Benefits to be received between July 1, 1980 and June 30, 1981.			+ 0	3
4.	Annual adjusted income (lines 1+2+3).			= 6,000	4
5.	Student's (and spouse's) Federal income tax paid for 1979.			- 60	5
6.	Effective income (line 4 minus line 5).			= 5,940	6
7.	Family size offset (Table 1).	5,000	7		
8.	Unusual medical expenses.	+ 0	8		
9.	Employment expense offset.	+ 0	9		
10.	Unreimbursed elementary and secondary school tuition and fees.	+ 0	10		
11.	Total offsets against income (lines 7+8+9+10).			- 5,000	11
12.	Discretionary income (line 6 minus line 11).			= 940	12
13.	Standard contribution from income. (If line 12 is positive, multiply it by .25. If line 12 is negative, enter 0).			235	13
14.	Net farm and business assets of student (and spouse).			35,000	14
15.	Net home and other assets of student (and spouse). (If negative, enter 0).			6,000	15
	a. Adjustment for negative farm and business assets. (If line 14 is negative, deduct from line 15 and enter result on line 15a).		15a		
	b. Non-farm and non-business asset reserve (negative assets). If line 14 is negative, subtract 25,000 from line 15a and enter result on line 15d.	-25,000	15b		

	c. Non-farm and non-business asset reserve (positive assets). If line 14 is positive, subtract 25,000 from line 15 and enter result on line 15d.	25,000 15c
	d. Available non-farm and non-business assets. If negative, enter 0.	0 15d
16.	Total assessable assets. Add lines 14 and 15 (if line 15 exceeds 25,000, add only 25,000 to line 14).	41,000 16
	a. Subtract total asset reserve.	-50,000 16a
	b. Available farm and business assets (if negative, enter 0).	0 16b
	c. Total available assets (line 15d + line 16b).	0 16c
17.	Standard contribution from available assets. (If line 16c is positive, multiply it by .05; if line 16c is negative, enter 0).	X .05 0 17
18.	Offset against asset contribution for negative discretionary income. (If line 12 is negative, enter it as a positive number, otherwise enter 0).	0 18
19.	Contribution from assets (line 17 minus line 18). If negative, enter 0.	0 19
20.	Contribution from income and assets (lines 13 + 19).	235 20
21.	Multiple student adjustment. Multiply line 20 by multiple student rate (Table 2).	235 21
22.	Student's Eligibility Index = line 21.	235 22

* U. S. GOVERNMENT PRINTING OFFICE : 1980 622-601/1253

REFERENCE TABLES FOR DETERMINATION OF STUDENT ELIGIBILITY INDEX

TABLE 1

FAMILY SIZE OFFSETS

Family Size	Dollar Amounts	Family Size	Dollar Amounts
1	3,850	8	12,550
2	5,000	9	13,750
3	6,050	10	14,850
4	7,700	plus $1,150 for each additional family member over 10.	
5	9,050		
6	10,250		
7	11,350		

TABLE 2

Multiple Student Calculation Rate

Number in Postsecondary Education	Calculation Rate
1	100%
2	70%
3	50%
4 or more	40%

TABLE 3

Employment Expense Offset

Dependent Student		Independent Student with a Family Size Greater Than One	
Both Parents Employed	Single Head of Household	Student & Spouse Employed	Single Head of Household
50% of Lesser Income, not to Exceed $1,500	50% of Income, not to Exceed $1,500	50% of Lesser Income, not to Exceed $1,500	50% of Income, not to Exceed $1,500

TABLE 4

For Independent Students

Rates to Determine Contribution from Income

Type of Family	Rate
Single Student	75%
Student with family size greater than one	25%

TABLE 5

For Dependent Students

Dependent Student Offset Against Income

Type of Family	Rate
Single Student	$2,650
Married Student	$3,850