

NASFAA MONOGRAPH



PROFESSIONAL JUDGMENT IN ELIGIBILITY DETERMINATION AND NEED ANALYSIS

PRACTICAL INFORMATION FOR STUDENT AID PROFESSIONALS

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This monograph is the ninth, revised edition of a NASFAA publication that first appeared in 1983. It is a part of NASFAA's continuing effort to assist financial aid administrators in fulfilling their professional responsibilities. Most recently NASFAA staff revised the Monograph in 2023 in response to the phased implementation of the FAFSA Simplification Act, which was enacted into law as part of the Consolidated Appropriations Act, 2021. This revised version includes provisions that became effective for the 2023-24 award year. It will be updated in the future to capture the remaining FAFSA Simplification provisions which become effective for the 2024-25 award year.

Introduction

For years, financial aid administrators and others have debated the nature and structure of need analysis. As it developed, need analysis was based on commonly accepted definitions and basic principles of economics. Beyond the fundamentals of need analysis, there also developed expertise about exercising professional judgment (PJ) in reviewing and, if necessary, adjusting the value of the data elements used in need analysis. This expertise about discretionary decisions has been shared formally in organized meetings and informally in day-to-day conversations.

This publication discusses various ways of exercising PJ. It is not intended to be all-inclusive, but to provide financial aid administrators with guidelines or suggested alternatives that may be exercised in determining eligibility for federal financial aid and in analyzing a family's reasonable ability to provide for postsecondary educational expenses. Not all aid administrators will agree with every adjustment example cited in this Monograph. Instead, this publication is intended to provide a foundation on which financial aid administrators may develop good practices and consistent treatment of aid applicants at their individual institutions while simultaneously taking into consideration fluctuations in our economy or uncontrollable changes in family households.

As used in this monograph, the term "need analysis" refers to eligibility determination. Eligibility determination for federal financial aid is embodied in Federal Methodology (FM), which is the standardized method for determining the expected family contribution (EFC) for the Federal Pell Grant, Iraq and Afghanistan Service Grant (IASG), Teacher Education Assistance for Higher Education (TEACH) Grant, Children of Fallen Heroes (CFH), campus-based, and Direct Subsidized Loan programs.

The FAFSA Simplification Act, which was enacted into law as part of the Consolidated Appropriations Act of 2021 makes substantial changes to need analysis. Students and families will see a different measure of their ability to pay for college and will experience a change in the FM used to determine federal student aid. The Student Aid Index (SAI) will replace the EFC effective in the 2024-25 award year. While the SAI will replace the EFC in 2024-25, this publication will continue to reference the EFC until the full implementation of SAI.

Many colleges, universities, and private scholarship agencies use alternative formulas or calculations, known as Institutional Methodology (IM), which represents an analysis of a family's ability to contribute toward postsecondary education costs and may be used by institutions in determining eligibility for nonfederal financial aid.

An Introduction to Need Analysis

The purpose of need analysis is to assess a family's financial resources and what that family can reasonably be expected to contribute toward the cost of postsecondary education. A uniform set of criteria is used to make this assessment. Although the criteria may be applied appropriately to a wide variety of family situations, there are cases in which strict adherence to the criteria may not be appropriate. Exercising PJ when the standard procedures do not apply to a given student is left to the discretion of the financial aid administrator.

Need Analysis Principles

In need analysis, the financial aid administrator consistently applies the same objective standards to all applicants. The need analysis system is designed to accommodate obligatory expenses, such as taxes, as well as typical family living costs. In some cases, however, the financial strength of a family cannot be portrayed accurately by using the standard procedures. Because each family's situation is unique, extraordinary circumstances occasionally arise that require individual attention. In these cases, the aid administrator is expected to weigh the family's situation both objectively and subjectively to render a professional judgment about the financial support the family can reasonably provide toward the applicant's postsecondary expenses. Professional judgment, and the capacity of the aid administrator to recalculate a student's need if an individual situation warrants special attention, is an important factor in the student financial aid delivery system.

An understanding of the basic principles of need analysis is essential to the aid administrator's review of any case. Among these tenets are the following:

- For dependent students, both the student and parents share the responsibility to contribute toward educational expenses.
- For independent students, it is expected that a major part of the student's income and assets will be allocated to the student's educational costs as well as the family's living expenses.
- Families are considered equitably in relation to one another—that is, there is "horizontal equity" among families in similar situations and "vertical equity" among those in dissimilar situations.
- The analysis of a family's situation is an objective assessment of their present circumstances; it does not make assumptions or prejudge the nature of their situation. NASFAA's Implicit Bias Toolkit is a resource that is available to use to build policies and deploy procedures in the administration of financial aid that reduce the operational influence of implicit bias. It can be found at www.nasfaa.org.
- Need analysis recognizes that part of a family's resources must be devoted to taxes, basic living costs, and other unavoidable expenses; other expenditures that are a matter of choice are usually not included as allowances against available income or discretionary net worth.

The latter point is an important element of professional judgment. That is, the aid administrator should be able to distinguish between changes in a family's circumstances that are a function of choice, and those that are a function of necessity. Using this distinction in expenses will help the financial aid administrator make better decisions about a given family's circumstances.

Need analysis is not intended to be a rationing device and therefore should not be tailored to available financial aid funding. The result of need analysis is a measure of a family's wherewithal and a calculation of need for assistance, regardless of whether resources are available to meet the student's full need.

Cost of Attendance

Determination of a family's ability to pay for educational expenses is but one part of need analysis. Equally significant is the construction of a realistic cost of attendance, or COA.

Some situations may call for an adjustment on the COA side of the need equation instead of on the side of calculating a family contribution. For example, allowances for unusually high technology, housing, or transportation costs may appropriately be reflected in an adjustment to the COA rather than as a change in the data elements used to calculate the EFC. Documentation in these instances can be copies of a receipt or housing lease reflecting the appropriate period of time. It should also be recognized that some changes in allowances in need analysis have no effect because of the student's or family's circumstances (such as a student with a zero EFC). In such cases it may be appropriate to adjust the COA rather than recalculate the EFC.

Standard Need Analysis Procedures

Since the establishment of a broadly used scheme of need analysis in the early 1950s, the system has been modified from time to time to provide a systematic approach to measuring family ability to pay for college. Beginning in 1975, the need analysis system most widely used was the Uniform Methodology, which was a product of the National Task Force on Student Aid Problems. Most aspects of the Uniform Methodology were incorporated in the 1986 amendments to the Higher Education Act of 1965 (HEA), Title IV, Part F, also known as the "Congressional Methodology." The Higher Education Amendments of 1992 brought substantial changes to need analysis. The formulas for determining Federal Pell Grant eligibility and for calculating family contributions for other federal student assistance were combined. The revised formula is called the Federal Methodology, or FM. In addition, the number of data elements used in the unified federal formula was pared down and, under certain circumstances, consideration of some or even all the remaining data elements were eliminated. The intent of these revisions was to streamline the application process for many students and their families, and to expand eligibility for federal student assistance.

In restructuring the federal eligibility determination formula, Congress also recognized that institutions, state programs, and other donors of student assistance may use additional data and different formulas to determine their financial aid awards. In 1989, the

NASFAA Need Analysis Standards Committee distinguished between need analysis used to determine eligibility for federal funds and need analysis to determine eligibility for institutional funds. The latter was termed “resource analysis” (RA), but is more commonly known as institutional methodology, or IM, today.

It is also important to mention changes to need analysis that have occurred because of the Higher Education Opportunity Act (HEOA) of 2008, the Department of Defense and Full-Year Continuing Appropriations Act of 2011, and the Consolidated Appropriations Act of 2012. Changes that were a part of the HEOA include unsubsidized loan eligibility for dependent students whose parent(s) refused to complete the FAFSA, expansion of some categories of students who are eligible to receive the Federal Pell Grant, e.g., students with intellectual disabilities, the calculation of the minimum Federal Pell Grant amount, and setting of a lifetime limit on receipt of the Federal Pell Grant. The Budget Control Act of 2011 eliminated Direct Subsidized Loan eligibility for all graduate and professional students, effective July 1, 2012. The Consolidated Appropriations Act of 2012 lowered the eligible EFC for Federal Pell Grants from previous years, making some students who were eligible in previous years ineligible. The Consolidated Appropriations Act of 2012 also decreased the lifetime limit on receipt of the Federal Pell Grant from 18 semesters established by the HEOA to 12 semesters of eligibility, with no exception for Federal Pell Grants received prior to the implementation of the 12-semester limit.

In this monograph, discussion of FM is based on the explicit definition and delimited set of data elements in the 1992 revision of the Higher Education Act, Title IV, Part F. As provided in the statute, professional judgment is restricted to the data elements in the formula and other considerations outlined in the Conference Report to the Higher Education Amendments of 1992 (Report 102-630, June 29, 1992). FM is also used to determine eligibility for financial aid programs of the U.S. Department of Health and Human Services (HHS) under Title VII of the Public Health Service Act.

Effective with the 2023-24 award year, rules and guidance related to professional judgment changed in significant ways. The FAFSA Simplification Act, which was enacted into law as part of the Consolidated Appropriations Act, 2021 distinguishes between different categories of professional judgment by amending section 479A of the HEA. Unusual circumstances and special circumstances are now identified as specific categories of professional judgment. Unusual circumstances refer to conditions that justify an aid administrator making an adjustment to a student’s dependency status based on a unique situation and is more commonly referred to as a dependency override. Special circumstances now refer to the financial situations that justify an aid administrator adjusting data elements in the COA or EFC calculation (SAI in 2024-2025). The FAFSA Simplification Act also prohibits institutions from having a policy of denying all professional judgment appeals. The institution must also publicly disclose that students may pursue an adjustment based on special or unusual circumstances. [See Appendix B, FAFSA Simplification Act.]

Adjustments in Calculation of Financial Need

Professional judgment—used to adjust components of the COA or the data elements used to calculate the EFC—may result in either an increase or decrease in the student’s need. If the financial aid administrator is satisfied that the adjustment is based on verifiable information and may be justified as reasonable, the resulting need should be valid for all forms of aid. Nevertheless, for federal student financial aid purposes, the need figure must be within statutory limits that apply to the FM formula.

As previously mentioned, the HEA requires that the FM formula be used for determining eligibility for federal student financial aid programs. The law, however, does not preclude adjustments in need analysis. Indeed, the HEA provides that discretionary judgments may be employed by aid administrators on a case-by-case basis for students or families with special and unusual circumstances. The full text of Section 479A of the HEA appears in Appendix A.

The U.S. Department of Education (ED) recognized the role of PJ by noting in the Free Application for Federal Student Aid (FAFSA) that aid applicants should contact their financial aid administrator “If you or your family experienced significant changes to your financial situation (such as loss of employment or pay cuts), or other unusual circumstances...”

Determining Adjustments

Basis for Changes

An examination of the student’s application materials is usually the first step in deciding whether the calculated EFC is appropriate to the student’s situation. In many cases, this review will not reveal any reason for an adjustment to be made or additional information or clarification to be sought. If this is the case, the aid administrator may proceed with construction of the COA, calculation of need, and packaging of financial aid. In other cases, however, it may be necessary to obtain information in addition to that found on the application, need analysis documents, or other materials already submitted by the student.

ED encourages institutions to exercise professional judgment to more accurately reflect the financial need of students who meet the definition of “affected individuals” under the Higher Education Relief Opportunities for Students Act of 2003 (HEROES Act). The waivers and modifications of statutory and regulatory provisions authorized by the HEROES Act expired on September 30, 2022. Note that at the time of publication, ED has not yet confirmed whether it would be extending these provisions. The HEROES Act defines affected individuals as Title IV applicants and recipients who:

- Are serving on active duty during a war or other military operation or national emergency;

- Are performing qualifying National Guard duty during a war or other military operation or national emergency;
- Reside or are employed in an area that is declared a disaster area by any federal, state, or local official in connection with a national emergency; or
- Suffer direct economic hardship as a direct result of a war or other military operation or national emergency, as determined by the Secretary.

Documentation

If the aid administrator determines that the need analysis should be changed, the reasons for the revision should be sufficiently documented in the student's record so that any aid provided as a result of the change can be explained in an audit or program review. The documentation will also provide a history of the applicant's circumstances as a reference for the future, giving any other financial aid administrators who work with the file a clear "paper trail" to understand how PJ was applied to a student or family's unique situation or circumstances.

There are no standard guidelines for documentation; however, sufficient notes should be made so that another aid administrator reviewing the student's case could easily ascertain the reason any changes were made as well as their effect on the need analysis and aid package. The source of information, name of the financial aid administrator making the adjustment, and date should also be recorded.

In addition to providing information about a student or family's unique situation, documentation serves a second important purpose in professional judgment. Documentation provides a clear record of the decision made, the date of the decision, how the decision was reached, the outcome or resultant actions that were taken, and the name and title of the individual making the decision. It may be helpful to compile a record of exceptions so that institutional policies regarding professional judgment may be developed as the basis for consistent treatment of other aid applicants with similar circumstances.

Distinction from Verification

Making a PJ adjustment sometimes involves the collection and interpretation of additional information from the family. In this sense, professional judgment should not be confused with efforts to verify information provided by the family, although in some instances it may be difficult to separate these issues, particularly if the information from a verification form suggests a need for follow-up in related or additional areas. It is important to note that if an applicant has been selected for verification by the Central Processing System (CPS, which becomes the FAFSA Processing System in 2024-25) or by the institution, the institution may complete verification while exercising professional judgment in the same Institutional Student Information Record (ISIR) transaction. There is an exception; financial aid administrators are not required to verify information that will be removed as the result of a professional judgment decision. Otherwise, financial aid administrators should only make adjustments to an application showing correct data.

Tools Used in Review

The aid administrator has a number of tools available that can help in reviewing a student's file. These may include the Student Aid Report (SAR, being updated to the FAFSA Submission Summary in 2024-25), the ISIR, an institutional application, tax return transcripts or income tax returns, and other documents obtained from the student and their family to substantiate the information on which the need analysis is based. The SAR and ISIR contain the basic data used to calculate the EFC and determine financial need.

Supplemental information collected through other documents may also assist in determining need. The nature and consistency of the information reported by the family may indicate whether an adjustment is needed, or additional information should be requested.

SAR and ISIR

The SAR and ISIR reproduce the data a student and their family reports on the FAFSA. A student receives a SAR after the CPS processes the FAFSA. The institution receives the ISIR through the Electronic Data Exchange (EDE) via the Student Aid Internet Gateway (SAIG). The institution may access the ISIR via their financial aid management (FAM) system, EDEExpress, or FAA Access to CPS Online. The messages resulting from federal grant edit procedures, listing of assumptions made, and other comments recorded on the SAR and ISIR indicate areas about which further information or clarification should be sought.

Institutional Aid Applications

Some schools choose to collect additional information from applicants on an institutional aid application form. This may include biographical and financial data and information about the family situation and may indicate extenuating circumstances that affect the family's ability to meet college expenses. Such information may assist the aid administrator in reviewing the need analysis and in adjusting the assessment of a family's ability to pay.

Income Tax Returns and Tax Return Transcripts

Changes to regulations by the program integrity rules published in the October 29, 2010 *Federal Register* also included an overhaul of the verification process. These changes became effective July 1, 2012. A student selected for verification of income-related information may use the IRS Data Retrieval Tool (DRT) to update his previously estimated tax information. He may also request a copy of his IRS Tax Return Transcript or provide a signed copy of his paper tax return. Although the DRT or a tax transcript are preferable for completing verification, a copy of his federal tax return along with any applicable schedules is acceptable. Each year, ED publishes the data elements to be verified in the *Federal Register*.

Situations affecting a family's ability to pay postsecondary educational costs may be seen in income tax returns or tax transcripts, such as unusual medical and dental expenses,

childcare costs, and unreimbursed employee business expenses. Income tax returns continue to be acceptable documentation for professional judgment. Income tax returns may be especially useful in interpreting more complex family situations, especially when income is derived from sources other than wages or salaries from employment. Wage statements (W-2 forms) are also useful in documenting income sources, especially for earnings of nontax-filers and tax-deferred income. In instances of students from families that own a substantial part of a corporation or partnership, some financial aid administrators also ask that copies of corporate or partnership tax returns be submitted for review. NASFAA's Tax Transcript Decoder tool is an excellent resource and available at www.nasfaa.org.

Other Documentation

It is important to recognize that income tax returns and tax transcripts do have limitations in the review process. Tax returns or transcripts do not enable the aid administrator to check all the items that are taken into account in need analysis. In some instances, the aid administrator may want to obtain additional documentation from the family (e.g., letter of employment termination, proof of work hour reduction, last pay stub or certified statements from third parties) to substantiate data reported on the FAFSA. These data currently might include:

- Untaxed income and benefits such as workers' compensation, disability, veteran's noneducational benefits, child support received, housing and subsistence allowances, gifts, inheritances, bequests, etc.
- Asset holdings, including value of home and other real estate, outstanding mortgage balances, cash, savings, and checking accounts, investments, and business and farm assets and indebtedness.
- Parents' or student's marital status, including additional information in divorced or separated situations such as alimony and child support payments, arrangements for paying college costs, etc.
- Number of family members, number in college, and elementary and secondary school costs.

The FAFSA Simplification Act changed what items need to be reported as other untaxed income and benefits as well as the asset components that are included on the FAFSA and in the federal need analysis effective in the 2024-25 award year. Those items will be described in further detail within this document.

Reviewing Need Analysis Data for Special and Unusual Circumstances

The following sections describe procedures that some financial aid administrators use in reviewing the data used in need analysis. It must be kept in mind those adjustments for FM formula purposes are limited to data elements only. Methodological changes and revision of final contribution figures are not permitted for FM purposes but may be justified for IM purposes in awarding institutional, state, or private funds.

Student Information

The review of a student's application should begin with an examination of the demographic information.

Dependency status (changing to personal circumstances in 2024-25). A major question in considering a student's financial need is whether the parents' financial information is to be considered in need analysis. Federal rules for dependency status have been established by the HEA and incorporated in the FAFSA. The federal definition was revised by the Higher Education Amendments of 1992, further refined by the Higher Education Reconciliation Act of 2005 (HERA) and the College Cost Reduction and Access Act (CCRAA) of 2007. Under the definition, a student is considered independent if he or she:

- Is 24 years of age by December 31 of the award year;
- Is a graduate or professional student;
- Is married;
- Has children for whom he or she provides more than half of their support;
- Has legal dependents other than a spouse for whom he or she provides more than half of their support during the award year;
- Is an orphan, in foster care, or a ward of the court, any time from the age of 13 or older;
- Is currently serving on active duty in the U.S. Armed Forces for purposes other than training;
- Is a veteran of the U.S. Armed Forces;
- Is an emancipated minor or is in legal guardianship as determined by the court in the state of legal residence; or
- Is determined to be either an unaccompanied youth who is homeless or who is at risk of homelessness and is self-supporting.

The financial aid administrator has the authority under professional judgment to override all other considerations to determine a student to be independent. However, the financial aid administrator does not have the authority to determine a student to be dependent if the student otherwise qualifies as an independent student.

Economic straits may cause independent students to reside with their parents. Recently divorced or separated persons, individuals leaving military service, or persons who have recently become unemployed may fall into this group. In such cases, the aid administrator may want to request and review documentation to determine if the need analysis calculation correctly reflects the resources available to the student. [See Appendix C, Guide to Addressing Special and Unusual Circumstances.]

Obviously, the student's responses to the questions establishing dependency status for federal programs may suggest the need to request further documentation from either the student or the parents. In addition, for financial aid programs under the Public Health Service Act it may be necessary to consider parental resources when providing Title VII funds.

Consideration for Institutional Aid. In awarding nonfederal aid, an institution may establish a different definition for determining independence, although care should be taken to treat students within a given category consistently. If the institution's requirements for independent status are different, the aid administrator may want to collect additional information from the student and their parents, such as parental affidavits, rent receipts, and tax forms.

Among the factors an aid administrator might consider in making a determination about an applicant's independence for institutional purposes are:

- Answers to the standard questions regarding student dependency status;
- The student's address as compared to that of the parents;
- A statement from the parents certifying the student's independence;
- The level of financial support from the parents reported by the student;
- Any knowledge the aid administrator has of the relationship between the student and parents;
- The possibility of others providing support (e.g., grandparents, other relatives, or "alternative parents"), especially if the applicant's income in the recent past makes self-support questionable;
- Material presented by the student in support of the request to be considered independent; and
- The student's place of residence in preceding years. If there are questions about a student's dependency status, it is appropriate to require documentation, including appropriate tax returns from the parents and the student, notarized statements, court documents, rent receipts or other supporting evidence.

Financial aid administrators are permitted to accept another college's professional judgment determination that a student is independent. If the institution wishes to accept a dependency override from another institution, the supporting documentation submitted to the transfer institution may be requested from the student, but it is not required.

Student Demographic Information. The student's responses to other questions that collect demographic information should also be reviewed. Here is a summary of these data and the areas of need analysis that may be affected.

Student's year in college. If the year is incorrect, it may be necessary to revise the student's contribution figure, if a minimum value for student self-help is used for IM purposes to calculate the total family contribution.

Student's marital status. If marital status was reported incorrectly when the student filed the FAFSA, their application must be corrected, and the EFC recalculated. For example, if the student is married, an employment allowance should be included based on the spouse's income. In addition, for independent students, the asset protection allowance differs according to marital status. Effective with the 2012-13 award year, financial aid administrators were given the option of updating a student's marital status, which can in turn change the student's dependency status, after the FAFSA has been filed. This is applicable if the financial aid administrator determines the update is necessary to address an inequity or to reflect more accurately the student's ability to pay.

Student's household size (changing to family size in 2024-25). If the number is incorrect, it is necessary to recalculate the family contribution. For example, for independent students, the income protection allowance (IPA), asset protection allowance, and asset conversion rate all may vary according to whether the student has dependents other than a spouse. Also, the COA, although generally constructed for the student's expenses only, may include an allowance for childcare costs or an allowance for unmet basic family expenses (i.e., the amount by which available income may fall short of the IPA). Additions to household size can be documented with proof of at least 51 percent support.

Student's number in college. Currently, if the number is incorrect, it must be corrected, and a recalculation of the EFC is necessary. For example, for married students without dependents (other than a spouse), the IPA varies according to whether the student's spouse is also a student. Also, the EFC is divided among family members in college. As a result of the FAFSA Simplification Act, the family's number in college question will still appear on the FAFSA but will not affect the FM formula. Effective in 2024-25, adjusting the number on the ISIR will not result in a change of the SAI as the number in college will no longer be used in the IPA or the final step of the calculation. If warranted, the PJ adjustment could include, but is not limited to, the following:

- Reduce the AGI;
- Consider payments made towards an allowance against assets; and/or
- Adjust the miscellaneous personal expenses component, or another component of the COA to reflect additional costs.

For example, the school could calculate the other family member's COA minus any grants or scholarships and then subtract that amount from the student's AGI. [See Appendix C, Adjusting Number in College Effective 2024-25.]

Expectation of family support for the student. In some unique circumstances, the student may not meet the usual requirements for independence but may have no parents' contribution on which to rely. Financial aid administrators are allowed to use PJ to offer a Direct Unsubsidized Loan to dependent students whose parents do not support them or refuse to complete a FAFSA. While previous law required that a financial aid administrator determine that the student's parent initiated the end of support and the parent refused to complete the FAFSA, this change now only requires financial aid administrators to document that one of the two scenarios exists to offer a Direct Unsubsidized Loan at the applicable dependent-student annual loan limit. This decision must be supported by acceptable documentation which can include a documented interview between the student and financial aid administrator, from either the parents or appropriate third parties.

The aid administrator must verify that the parent(s) has ended financial support of the student or refuses to complete the parental sections of the FAFSA.

For parental documentation, the aid administrator can obtain a signed and dated statement from one of the student's parents specifically stating that the parent:

- Has stopped providing financial support to the student and the date when the financial support stopped;
- Will not provide financial support in the future; or
- Refuses to complete the parental section of a FAFSA.

There is no requirement that the parent provide a reason for ending financial support or refusing to complete the FAFSA. Providing financial support includes not only payment by the parent of educational costs, but also providing other cash and noncash support to the student such as room and board or insurance coverage. If the student informs the aid administrator that their parent(s) will not provide the required verification statement, the aid administrator may obtain documentation from a third party (e.g., teacher, counselor, clergy, court) describing the student's relationship with their parents. Submission of a court order or official Federal or State documentation that the student's parents or legal guardian are incarcerated is also acceptable documentation. [See Appendix C, Parental Refusal to Provide Financial Support.]

This is not a dependency override. The student remains dependent and is only eligible for Direct Unsubsidized Loans at the applicable dependent undergraduate loan limits.

Parents' Information

Parents' marital status and household size (changing to family size in 2024-25). In most cases the data about parents' marital status and household size are straightforward. In situations in which questions arise, it may be necessary to correspond with the student or parents to resolve household size. If the parents' marital status must be revised, a different asset protection allowance will be used in need analysis. Likewise, if the household size is altered, there will be a change in the IPA.

Dependents. Effective with the 2018 tax year, exemptions are no longer reported on an income tax return. Instead, tax filers now report dependents. Starting with the 2024-25 award year, reporting of the family size will depend on the IRS rules for claiming dependents on the tax return. During the FUTURE Act Direct Data Exchange (FADDX) process, family size will be populated on the FAFSA using the dependents who are reported on the contributor's tax return. The applicant does have the ability to update the number if the parent's family size differs from the number of individuals claimed on their tax return. In divorced or separated cases, the non-custodial parent may claim some or all of the children because child support is provided or because the divorce decree or separation agreement specifies such an arrangement. There may also be differences because of a birth, adoption, death, or the departure of someone from the household. An applicant updating family size from the number of dependents claimed on the tax return is not conflicting information.

Inclusion of siblings. For FM purposes, siblings should always be included in household size if the parents provide more than 50 percent of their support. For IM purposes, some aid administrators will not count siblings who are reported as members of the household unless there is some explanation from the family to justify their inclusion. Among considerations of dependency are whether a sibling is claimed by the parents for income tax purposes and whether he or she is beyond secondary school age but is not in postsecondary education. Older siblings may be included if they have a disability and require family financial support. In some cases, they may be included if they are unemployed and unable to find work.

Support for other family members. Documentation should be obtained when adjustments are made to allow for the support of grandparents or other relatives. Such support may include nursing home fees, other medical expenses, or general living costs. Although families do not always detail these expenses in financial aid application materials, the aid administrator should be sensitive to the possibility of there being such expenses affecting the family's discretionary income. [See Appendix C, Support of Extended Family.]

Parents' number in college. Under the current need analysis provisions of the HEA, all family members except the parents who will prospectively be enrolled at least half time in postsecondary education and working toward a degree or certificate in an eligible program are included in the number in college figure. Financial aid administrators may exercise PJ to include a parent in the number in college if the family's situation warrants such treatment. For example, this may be appropriate if the parent is working on their first degree or must update their skills to obtain employment. Financial aid administrators may want to confirm the reported number of family members who will be enrolled in postsecondary education and the programs in which they are enrolled. Some institutions require students to have the other family members verify their status after the academic year has begun by obtaining a certification of enrollment from the other family members' institutions.

For institutional purposes, it may be useful to examine the attendance costs and financial aid of these family members. If their expenses do not represent a substantial strain on family resources, other family members may be excluded from consideration at the discretion of the financial aid administrator. For example, family members may be

receiving grants or scholarships that cover their entire educational expenses. Special care may be needed in reviewing applications of enrolled parents who have dependent children also enrolled in college to ensure reasonable costs are considered while not overlooking aid the dependent child may receive.

As a result of the FAFSA Simplification Act, the family's number in college question will still appear on the FAFSA but will not impact the FM formula. Effective in 2024-25, adjusting the number on the ISIR will not result in a change of the SAI as the number in college will no longer be used in the IPA or the final step of the calculation. If warranted, the PJ adjustment could include, but is not limited to, the following:

- Reduce the AGI;
- Consider payments made towards another family member's college costs as an allowance against assets; and/or
- Adjust the miscellaneous personal expenses component, or another component of the COA to reflect additional costs.

For example, the school could calculate the other family member's COA minus any grants or scholarships and then subtract that amount from the student's AGI. [See Appendix C, Adjusting Number in College Effective 2024-25.]

Parents' Income

Definition of income. The definition of income for need analysis purposes is of prime importance to a fair and rational measure of ability to pay for postsecondary education. In general, need analysis procedures follow the definitions of the Internal Revenue Service (IRS). A clear advantage to this approach is the close correspondence between the definition used in need analysis and that used for tax purposes. The data can be obtained by families from their IRS tax transcripts or tax returns and, similarly, can be verified by the aid administrator using the same tax transcripts or tax returns. Adjusted gross income (AGI), an IRS concept, is the point of departure for determining family income. There are some limitations, however, to the usefulness of the AGI in determining financial need. The definition of AGI has been developed to administer the federal income tax code. This purpose is different from the aid administrator's goal in performing need analysis. Because of this, certain "adjustments to income" allowed for income tax purposes are not allowed for need analysis purposes.

Financial aid administrators should keep in mind that, especially for IM purposes, income data are used to predict resources available for the academic year in question. It may be helpful to think of income in terms of annual income flow. This concept takes account of additional sources of family support that may be excluded from AGI because of current tax laws. By considering income in this way, the financial aid administrator may get a clearer picture of a family's financial circumstances (particularly its discretionary income) from year to year without the distortions inherent with the tax-related definition of AGI. Such an income definition might also disregard unusual variations in the pattern of annual income, such as capital gains, and eliminate losses that do not necessarily represent a loss of income.

Base year versus estimated year data. Beginning with the 2017-18 award year data, the standard need analysis calculation assesses prior-prior year (PPY) income. This income, however, may be subject to wide variation from year to year. A change in income may be attributable to unemployment, illness, or retirement. Income in some occupations, such as sales, farming, and small business operations, may fluctuate from year to year. It may be appropriate in these cases to recalculate the family contribution based on prior-year 12-month income, projected year 12-month income, or income from any other reasonable consecutive 12-month period. In some instances, adjustments may be made in the middle of the academic year when the “estimated” information is no longer estimated.

There is an increasing awareness among financial aid administrators of the necessity of establishing procedures to assess (or reassess) the need of families whose situations are in flux, such as those who are recently widowed, newly divorced or separated, or those who have become displaced from work. Congress expressly intended that, for federal purposes, such emergent situations be dealt with under professional judgment. Determining whether it is appropriate to base need calculations on the estimated year data deserves careful consideration. For IM purposes, if the need analysis is shifted to the estimated year income, some financial aid administrators adjust for inflation in the standard maintenance allowance and in the adjusted available income brackets from which the parents’ contribution is derived.

Families may have difficulty in furnishing information about their estimated year income, especially if the financial aid administrator’s request for data is too open-ended. A common practice is to request actual earnings and untaxed income to date for the calendar year in question, with an estimated amount for the rest of the year. For independent students, it may be appropriate to shift to a twelve-month projected year period that includes the academic year. Of particular importance are income reductions related to documented job changes or unemployment. Sometimes families are pessimistic about extra income, such as sales bonuses or overtime work. Financial aid administrators usually will not adjust in advance for loss of such income unless it is documented by the parent’s employer. A review of assets, including ownership, may be considered for newly divorced or separated parents.

In a case with highly fluctuating yearly income, a three-year average may be a treatment worth considering, using copies of tax returns or tax transcripts to document the average. An even longer term for averaging may be appropriate in exceptional cases. This procedure may also be followed in considering large one-time gains or losses. Another area of concern may be income reduction that does not constitute a “special circumstance,” but is regarded by the family as significant enough to preclude the student’s further enrollment. Collecting additional information through communication with the family may help determine, with as much certainty as possible, the appropriateness of calculating the family contribution on data for the estimated year. [See Appendix C, Income Reduction or Nonrecurring Income.]

Taxable income. For an accurate assessment of more complex family financial situations, it may be necessary to examine the separate elements of total income. Sometimes families will provide a total income figure that is derived from more than one source. One line of an application may combine both parents’ salaries, business or farm income, and/or rental

income. Boarding school teachers, clergy, members of the military, and persons in similar occupations may omit “in kind” remuneration for housing, board, or transportation. The aid administrator may want to request additional information from such individuals and adjust their income to reflect more accurately the family’s financial strength.

Wages, salaries, and tips. Knowing the occupation of the parents may help in assessing the appropriateness of income figures. The number of years in a particular job may indicate whether the family has had the opportunity to accumulate assets for education and other purposes. It may be useful to compare the occupation listed on an institutional financial aid application with that listed on the income tax returns if they are collected. For instance, if an aid application lists the occupation as “salesperson,” while the income tax return indicates “company president,” the financial aid administrator will probably want to investigate the possibility of business ownership and business worth.

Additionally, the occupation may suggest deductions which have been inadvertently omitted by the parents. The parent’s occupation may also alert the financial aid administrator to changes that may be about to occur. For example, if a parent is employed by a company that has financial problems or has recently laid-off employees, this information may prompt an inquiry about the parent’s ongoing job security. If there is a loss of employment, further documentation would be necessary, but the original information may help confirm the situation that ultimately developed.

Net income (or loss) from business or farm. Beginning in 2024-25 the family farm and small business asset exclusion is eliminated. Applicants will report the net value of any business or farm they own if they are not exempt from asset reporting. Currently only limited information about a family’s business or farm is included in standard need analysis documents. Any detailed examination of income from a business or farm will require additional information from the family. This may be obtained through need analysis form supplements completed by the family, profit and loss statements, or copies of the relevant income tax return forms or schedules for the business or farm.

Income tax forms may include:

- Form 1040, Schedule 1, additional income and adjustments to income
- Form 1040, Schedule C profit or loss from business (sole proprietorship)
- Form 1040, Schedule E supplemental income and loss (from rental real estate, royalties, partnerships, S corporations, estates, trusts, real estate mortgage investment conduits, etc.)
- Form 1040, Schedule F profit or loss from farming
- Form 1065, return of partnership income
- Form 1065, Schedule K-1 partner’s share of income, deductions, credits, etc.
- Form 1120 corporation income tax return
- Form 1120-A corporation short-form income tax return
- Form 1120-S income tax return for an S corporation
- Form 1120-S, Schedule K-1 shareholder’s share of income, deductions, credits, etc. (from an S corporation)

Much information that is useful in evaluating a business may be obtained from the income tax return. For institutional purposes, the aid administrator may want to examine general sources of income for the business in relation to its principal activity, operating expenses, and reported assets. Compensation of officers and the employment of other family members should be reviewed for consistency with the family income used in need analysis. A close examination of the enterprise's year-end cash position is recommended. Sometimes money will be carried over in the business cash account rather than being drawn as salaries or profits. In cases in which significant cash has accrued, the aid administrator may want to treat a portion of the cash as income for computation purposes rather than leaving it as a business asset.

In reviewing the balance sheets or profit and loss statements of a business corporation or partnership, the aid administrator can compare figures for the beginning and ending of the operating year. Significant changes may reflect fluctuations in business activity as well as financial interactions between the business and its owners. Of particular interest for institutional purposes may be changes in assets, such as cash on hand and loans to stockholders, and in liabilities, such as mortgages, loans from stockholders, and retained earnings. For a partnership or closely held corporation, these changes may represent cash flow to (or at least possibly available to) or from the owners.

The operating expenses of a business or farm may also be reviewed. Business deductions for vehicle expenses and for travel and entertainment sometimes raise questions about whether all such expenses should be allowed to reduce income in need analysis. If the business is operated at home, deductions for such expenses as rent on business property, utilities and telephones, and laundry and cleaning may also be questioned. If other family members are employed by the business, the cost of operations (including labor), and deductions for employee benefits programs and pension and profit-sharing plans can also be examined. For farm cases, deductions are generally more specific and more obviously farm related. Even so, if other family members are employed on the farm, the aid administrator may want to review deductions for labor hired, pension and profit-sharing plans, and employee benefits programs.

If a business or farm is not the major source of income for a family, losses incurred may be legitimate for income tax purposes, but the aid administrator may not always choose to allow them for purposes of determining the EFC toward educational expenses.

Rents, royalties, partnerships, estates, trusts, etc. The net balance of these various kinds of income is included in adjusted gross income and reported on the IRS Form 1040 and the IRS Tax Return Transcript. To examine income in these categories, it usually is necessary to obtain a copy of the family's IRS Form 1040, Schedule E.

Rents. Gross income from rental property may be reduced by expenses for operating and maintaining the property. These include taxes, mortgage interest, utilities, repairs, insurance, and so forth. Most aid administrators accept these expenses, although for institutional aid purposes some will disallow travel expenses if the rents are derived from a vacation property, especially if management fees are allowed. Rental income from an owner-occupied multiple-family dwelling may also warrant closer examination of expenses. Some aid administrators question whether expenses for maintenance and

repair would be any different if the dwelling were occupied only by the owner's family and disallow such costs. It should be noted that although interest expenses are included in IRS Schedule E, the principal represented by mortgage payments on rental property is not included. The aid administrator may want to obtain the amount of this expense from the family so that the net rental income can be properly adjusted. Depreciation on rental property allowed for income tax purposes is regarded by some aid administrators as inappropriate for need analysis purposes.

Allowing depreciation as an expense may understate actual cash flow from rental income. Another approach to the tax losses that frequently appear in rental property cases could be to impute income which represents a reasonable annual yield on the property, reduced by the amount of mortgage payments (both principal and interest).

Royalties. Royalties are generally derived from one of two sources—either from copyrights, patents, and trademarks, or from payments for oil, gas, minerals, or timber extracted from property in which the recipient of the royalty holds an interest. Royalties usually do not produce losses, although in some instances government approved depletion allowances will reduce royalty income in the second category noted above. For IM, financial aid administrators usually do not permit depletion allowances to offset royalty income. In some cases, depreciation may be claimed on a copyright or patent. Although this is seldom encountered, it may be appropriate to disallow such an offset of royalty income.

Partnerships. Partnership income is reported as a net figure on IRS Schedule E. More detail may be obtained from the partnership return (IRS Form 1065) or from the partner's record of income from the partnership (IRS Form 1065, Schedule K-1). If the partnership is not a major source of income, it may be held by the family as an investment. This is especially true of limited partnership investments, which typically produce sufficient losses to offset any income for tax purposes. These losses are usually derived from depreciation of major capital investments made by the general partners. Although limitations on losses from passive activities apply to such situations, some financial aid administrators disallow any losses but include as income any ordinary income or guaranteed payments reported on the partner's Schedule K-1 when calculating eligibility for nonfederal aid.

Estates and trusts. Income from estates and trusts is the net amount derived from assets administered by a fiduciary, such as a bank or trust company. The income may come from interest and dividends, capital gains, real estate, businesses, farms, partnerships, and so forth. Some financial aid administrators inquire into the nature of the estate or trust to see whether the net distributions reported reflect all the income derived. The fiduciary must file a tax return (IRS Form 1041) for the estate or trust. The financial aid administrator may want to obtain a copy of this form, or at least a copy of the beneficiary's statement of income (IRS Form 1041, Schedule K-1). In addition, the financial aid administrator may review reported investments to be certain that the estate or trust has been included.

S corporations (small business corporations). Net income from S corporations is also included in IRS Form 1040, Schedule E. An S corporation is a firm with a limited number of stockholders who report the corporation's income on their individual income tax returns, according to their holdings in the business. The corporation's tax liability is also passed on to the stockholders. Sometimes businesses are organized in this way. Because of the

structure of taxation on individuals and corporations under the Tax Reform Act of 1986, there are increased incentives for businesses to be organized as S corporations. The aid administrator may want to collect supplemental information about the corporation, including a copy of the corporate tax return (IRS Form 1120-S) or the shareholder's statement of income (IRS Form 1120-S, Schedule K-1).

Capital gains (or losses). Capital gains pose a problem in assessing a family's ability to pay for postsecondary education. Because capital gains are a part of the federal definition of total income, they are treated the same as other income in determining the family contribution under the FM formula. Although a capital gain reflects a real cash flow in the year for which it is reported, it nevertheless represents an asset in transition. Frequently the asset is converted almost immediately into another asset. For example, profit realized from the sale of stock must be reported as income in the form of capital gains even though the entire proceeds may have been invested in another enterprise. For this reason, there is uncertainty among aid administrators about whether to treat capital gains as income or assets, or both.

Some aid administrators regard most capital gains not as income, but rather as assets. Indeed, in some instances assets that have made some transition as capital gains may be reported both as income and in their new, transformed, and appreciated state as assets. It is appropriate for the IRS to consider capital gains because it is only when appreciation is realized as a gain that the tax laws apply.

For need analysis purposes, however, they assert that, because the present market value of assets is already considered, it may be inappropriate to "double count" the appreciated value of an asset both as asset and as income. Among aid administrators who take this position, some have the practice of nullifying all capital gains when calculating family income. Others negate capital gains if it appears that they are a one-time occurrence but include gains if they represent a recurring pattern of income. Another approach is to consider the number of years over which a capital gain has accrued. By dividing the gain by the number of years the aid administrator can approximate the annual income flow represented by the gain. Capital losses are generally disallowed by financial aid administrators who omit capital gains from family income calculations on the grounds that a loss is reflected in the diminished present value of a family's assets.

Capital losses, along with losses carried forward from previous tax years, are allowed to offset gains for income tax purposes. As much as \$3,000 of a single person or a married couple's income may be offset by capital losses.

For a married person filing a separate return, the maximum offset against income is \$1,500. There are special rules for the sale of a primary residence. If an independent student or the parent of a dependent student meets both of the following two tests, he or she can exclude up to \$250,000 of capital gain from taxable income. If the student or parent is married and both meet the two tests and file a joint return, up to \$500,000 of gain may be excluded. Please note that only one spouse needs to meet the ownership test requirements.

To claim the exclusion, the student or parent taxpayer must meet the ownership and use tests. This means that during the 5-year period ending on the date of the sale:

- *Ownership Test:* The student or parent must have owned the home as their primary residence for two years or more; and
- *Test:* The student or parent lived in the home as their primary residence.

Even if the student or parent does not meet one or both of the tests, the exclusion can still be claimed if they sold the primary residence because of a change in place of employment, health, or certain unforeseen circumstances. In this case the maximum amount of gain the student or parent can exclude is reduced.

Other taxable income. Beginning in the 2024-25 award year many elements that make up the income component of the EFC will be removed from income that contributes to the SAI. Currently, other income that may be a part of AGI includes refunds from state and local income taxes, alimony received, taxable portions of pensions and annuities, unemployment compensation, and other taxable income. It may be necessary to review the family's income tax return or tax transcripts and accompanying schedules to get a complete picture of these sources of income.

Refunds from state and local income taxes. These refunds are reported on the federal income tax return only if they come from a prior year in which state and local income taxes were taken as an itemized deduction. The IRS includes refunds in current income because in the prior year the refund was not taxed by virtue of being an itemized deduction. Refunds, however, do not represent new income for the family. Because of this, some financial aid administrators delete refunds from the family's total income for institutional methodology. In addition, unless there is a significant change in the amount of state and local income taxes withheld from earnings, even a recurring pattern of refunds does not reflect a difference in income flow from year to year. This information is found on Schedule 1.

Alimony received. Alimony paid to a taxpayer by a former spouse is a part of AGI. If the noncustodial parent of a dependent student has provided information to the financial aid administrator, the custodial parent's alimony figure can be checked with the noncustodial parent's figure. The financial aid administrator may want to correspond with the parents to clarify any inconsistencies. Differences are sometimes related to each parent's understanding of the nature of the payments.

Child support received. Beginning in the 2024-25 award year child support received will be considered an asset, not income. Child support may be paid by a noncustodial parent to a custodial parent to help maintain the children of the dissolved marriage. If the parents' marital status is single, separated, or divorced, it may be that child support is received. If no support is reported, the financial aid administrator may want to investigate whether child support payments have been omitted from the FAFSA. Some aid administrators require evidence that child support has been sought but is not forthcoming, such as a copy of the divorce decree or a court statement. If additional information is obtained from the noncustodial parent, the figures reported for child support may be compared with the figures reported on the FAFSA. The aid administrator

should attempt to reconcile any discrepancies in the figures. As noted in the earlier discussion of alimony, there may be some confusion over the designation of payments made by one parent to another. Child support received is not taxable and is not included in the AGI.

Pensions and annuities. Income from pensions and annuities may be either taxable or untaxed. In general, if contributions to a pension plan were tax-sheltered in a retired person's employed years, the income from the pension will be taxable. Individual Retirement Accounts (IRAs), but not Roth IRAs, and Keogh plans are examples of such retirement provisions. If a retired employee contributed to a company's pension plan during their working years, the pension benefits are untaxed until the retiree has received benefits equal to their contribution. Benefits received exceeding the employee's contribution level are taxable. The untaxed portion of annuity income is related to the ratio of the annuitant's investment to the prospective return on investment.

In general, "rollovers" that are reported on the IRS Form 1040 represent conversion of retirement assets from one form to another, and do not represent income flow. Sometimes, however, families must access their retirement funds for emergencies or to pay for postsecondary education. In such cases, the amount withdrawn will appear on the income tax return as taxable income (and a penalty will be included as an IRS "adjustment to income"). The aid administrator may want to consider whether such retirement resources have been depleted or will continue to be drawn on during the award year.

There usually is no question that pension and annuity income should be included in income for need analysis; the question instead is whether all such income has been revealed. The financial aid administrator may want to inquire about whether all retirement income has been included in the financial aid application if it appears that a family's living costs consume an inordinate part of the family's reported resources.

Unemployment. Effective in the 2024-25 award year, the FAFSA Simplification Act stipulates that during a time of a qualifying emergency, financial aid administrators may use professional judgment to zero out income earned from work if the applicant can provide paper or electronic documentation of receipt of unemployment benefits, or can provide proof that an application for unemployment benefits was submitted. ED also requires adjustments to the program review selection model to account for increases to PJ requests during qualifying emergencies. All unemployment income is taxable. If there is no indication of when or whether unemployment might end, the financial aid administrator may want to correspond with the family about its situation and any prospect for new employment. This information is found on Schedule 1.

Other taxable income. The final item in the additional income section of the IRS Schedule 1 is a catchall category for miscellaneous other income. This may include honorariums, gambling and lottery winnings, other prizes or awards, one-time gifts, inheritance, and recovered bad debts. For institutional purposes, some financial aid administrators do not consider miscellaneous income to be recurring and, therefore, exclude it from income. Others include the income despite its "windfall" character.

Untaxed income and benefits. “Other untaxed income” is sometimes a troublesome item because the family is asked to list aggregate income and benefits for the entire household.

It may be difficult to identify those benefits that go directly to the student and separate them from support provided for other family members. Some income in this category may be unreliable because of changes in the level of support or changes in the number of family members supported.

The following benefits should not be included in untaxed income:

- Student aid
- Earned income credit
- Additional child tax credit
- Social services payments
- Untaxed Social Security benefits
- Supplemental Security Income (SSI)
- Workforce Investment Act educational benefits
- On-base military housing or military housing allowance
- Combat pay (this may appear in box 12 with code Q)
- Benefits from flexible spending arrangements (e.g., cafeteria plans)
- Foreign income exclusion
- Credit for federal tax on special fuels

Other untaxed income and benefits. Currently the FAFSA instructions include a list of income items to be reported as other untaxed income and benefits. Some of these have already been discussed; others include:

- IRAs, Simplified Employee Pension (SEP), Savings Incentive Match Plan for Employees Individual Retirement Account (SIMPLE IRA), Keogh, and other qualified plans (reported as adjustments to income on IRS Form 1040)
- Tax-exempt interest income
- Payments to tax-deferred pension and savings plans (reported on Form W-2 earnings statements)
- Workers’ compensation
- Veteran’s noneducational benefits [e.g., Disability, Death Pension, Dependency and Indemnity Compensation (DIC), etc.]
- Untaxed in-kind income (e.g., housing, food, and other living allowances for the military, clergy, and others)
- Cash support or any money paid on the student’s behalf (including support from a noncustodial parent or other person)

- Other untaxed income and benefits (e.g., disability, black lung benefits, refugee assistance, untaxed portions of Railroad Retirement benefits, Workforce Innovation and Opportunity Act (WIOA) benefits, etc.)

The FAFSA Simplification Act changed what items need to be reported as other untaxed income and benefits. Effective in the 2024-25 award year, only the following forms of untaxed income that are included on the federal tax return will be included on the FAFSA and in the federal need analysis of the SAI, to include:

- Untaxed portions of IRA distributions;
- Untaxed portions of pension and annuity distributions;
- IRA deductions and payments to self-employed SEP, SIMPLE, and qualified plans;
- Tax-exempt interest; and
- Foreign Earned Income Exclusion.

Effective in the 2024-25 award year, the following forms of untaxed income will no longer be collected on the FAFSA and will no longer be included in federal need analysis:

- Untaxed payments to tax-deferred pension and retirement saving plans represented by codes D, E, F, G, H, and S in Box 12 of IRS Form W-2;
- Housing, food, and other living allowances paid to members of the military, clergy and others;
- Veterans benefits;
- Workman's compensation;
- Other untaxed income and benefits (e.g., black lung benefits, refugee assistance, untaxed portions of Railroad Retirement benefits, Workforce Innovation and Opportunity Act (WIOA) benefits, etc.); and
- Cash support or money paid on the student's behalf, except funds provided by the student's parents to the dependent student.

Three forms of untaxed income merit special attention. These are payments to tax-deferred pension and savings plans, foreign income exclusions, and untaxed in-kind income.

Payments to tax-deferred pension and savings plans. Effective in the 2024-25 award year, this will no longer be collected on the FAFSA and no longer used in federal need analysis. The Internal Revenue Code (IRC) provides favorable treatment to income set aside for retirement purposes. Under sections 401(k), 403(b), and similar provisions, an employee may exclude from current taxation income that is contributed (paid directly or withheld from earnings) to a deferred compensation plan or under a salary reduction agreement. These items should be reported on the FAFSA as untaxed income. These contributions are reported in Box 12 or Box 14 of Form W-2 with the codes "D" through "H" or "S." The meaning of these codes is as follows:

- D. Elective deferrals to a 401(k) cash or deferred arrangement plan
- E. Elective deferrals under a section 403(b) salary reduction agreement

- F. Elective deferrals under a 408(k)(6) salary reduction SEP
- G. Elective deferrals and employer contributions (including nonelective deferrals) to a section 457(b) deferred compensation plan
- H. Elective deferrals to a section 501(c)(18)(D) tax-exempt organization plan
- S. Employee salary reduction contributions to a section 408(p) SIMPLE IRA (not included in Box 1)

Foreign income exclusions. The IRS allows Americans (except federal government employees) residing abroad to exclude as much as \$120,000 of foreign income (for 2023 tax year; see IRS Publication 17 for excluded amounts in subsequent years). In addition, they may exclude deductions for employer provided allowances for housing, schooling expenses, and transportation expenses for home leave. In some instances, workers in areas with substandard housing may exclude additional amounts attributable to employer-provided meals and lodging. Financial aid administrators may want to obtain IRS Form 2555, "Foreign Earned Income" as a reference. Foreign income exclusions are no longer reported as untaxed income on the FAFSA, nor are they used in the FM calculation of an EFC. However, some schools may wish to collect this information for institutional aid purposes.

Untaxed in-kind income. Effective in the 2024-25 award year, this will no longer be collected on the FAFSA and no longer used in federal need analysis. In cases in which nonmonetary, in-kind support is provided to a family, the aid administrator may be justified in verifying the value of the housing, food, or other services. Military personnel, clergy, and faculty members may receive housing allowances or subsidies. Military personnel receive housing allowances that vary by rank. The use of a percentage of salary as a means of estimating the value of housing may be helpful in the case of clergy and faculty. The provision of housing allowances for clergy has been changing. Aid administrators may find it helpful to contact area denominational offices for help in developing reasonable guidelines. Faculty members who pay rents of less than either five percent of the appraised value of their housing or the average of rentals paid by individuals (other than employees or students) for comparable lodging held for rent by the educational institution, have taxable income equal to the difference. If the faculty member lives in the housing as a condition of employment, however, it is nontaxable.

Allowances against income. After the financial aid administrator is satisfied that the family's total income has been properly determined, the allowances against income should be reviewed. The FAFSA Simplification Act changed what items are considered allowances against income in the SAI formulas. Effective in the 2024-25 award year, the following items are included in the allowances against income:

- Taxable college grant and scholarship aid reported as income;
- Education Credits;
- U.S. income tax paid (or foreign equivalent);
- Income Protection Allowance;
- Employment expense allowance;

- Federal Work-Study; and
- Payroll tax allowance.

U.S. income tax paid. The amount of U.S. income tax paid can provide a crosscheck for taxable income. In cases in which the U.S. income tax paid is significantly higher or lower than the standard tax, the financial aid administrator may want to ask for more detailed income and tax figures or request a copy of the income tax return with appropriate supplements. These materials may explain the unusual situation and document the legitimacy of a variance from the standard calculation. Sometimes families report the tax withheld (as recorded on W-2 forms) on the FAFSA instead of the actual tax paid. In other instances, they may include miscellaneous taxes, such as FICA tax for self-employment. A discrepancy may also arise from errors made because the family did not read the instructions carefully.

In cases of separation, divorce, or death of a parent, or if estimated year income is used, it may be necessary to recalculate or project the income tax paid figure. It is not necessary in such cases to use a standard tax amount if the family has a significantly smaller tax liability than that calculated by using the standard deduction. The most recent figure for tax paid can be used as an indicator of the proportion of income that was or will be paid as taxes. This procedure is especially appropriate for families with substantial itemized deductions or IRS adjustments to income. Follow-up verification of actual tax paid is always preferable to using a projected tax figure.

Care should be taken in reviewing the applications of American nationals living abroad. A standard calculated tax may well be larger than the amount actually paid. In such cases the financial aid administrator may want to confirm any taxes paid to a foreign country as well as the amount of U.S. income tax.

State and other taxes. Beginning in the 2024-25 award year, the FAFSA Simplification Act removes the state and other tax exclusion in federal need analysis. The allowance for state and other taxes is based on the family's total income and state of residence. In some cases, employment may be in a metropolitan area that imposes local income taxes or employment may carry family members across state boundaries. In such cases, the student's family may be subject to more than one state or local tax, and adjustments for institutional purposes may be appropriate. The state and other income taxes figure may be reported on IRS Form 1040, Schedule A.

FICA taxes. Standard need analysis procedures base the FICA tax calculation on the earnings of each parent, using the tax rate applicable to persons employed by others. If a parent is self-employed, he or she pays a FICA rate twice that of a person employed by others; however, one-half of the FICA tax is allowed as an "adjustment to income" in calculating AGI. Because of this, the FM formula allowance is appropriate for both self-employed persons and those employed by others. If there is a need to calculate a FICA tax for a self-employed person, care should be taken to use the applicable, higher rate.

Employment expense allowance. The employment expense allowance is based on 35 percent of the lower income from employment in a two-parent family or the only income

in a one-parent family, to a maximum figure that is adjusted annually. For 2023-24, it is \$4,700 and is based on “the marginal differences in costs for a two-worker family compared to a one-worker family for food away from home, apparel, transportation, and household furnishings and operations” (July 19, 2022 *Federal Register*, p. 38070). For institutional purposes, if a parent is employed in the home, some financial aid administrators will reduce or eliminate the allowance. They justify their action by noting that the allowance presumes employment outside of the home. Yet other financial aid administrators reduce the allowance if a parent is employed only part-time. The assumption that part-time employment necessarily implies partial employment costs, however, may not always be correct.

Some parents have additional employment costs that are not reflected (or at least not fully reflected) in the employment allowance. These costs may include childcare, union dues, uniforms and other work clothes, tools, and so forth. In addition, some employees have business expenses for travel, food, and lodging that are not reimbursed by their employers. These costs may be an itemized deduction reported on Schedule A of the IRS Form 1040. Details of such expenses are provided on IRS Form 2106, “Employee Business Expenses.”

Income protection allowance. The IPA is based on the household size and number of family members in college. If either of these figures has changed, the IPA is corrected when the EFC is recalculated. The allowance figures are derived from national data about the cost of living that are reflected in the Bureau of Labor Statistics lower budget standard. For institutional purposes, the financial aid administrator may want to adjust the allowance for cost-of-living differences in various parts of the United States. The Bureau of Labor Statistics annually publishes updates of its indexes of living costs for major metropolitan areas and various regions of the country.

Expenses that May Be Considered Under Professional Judgment

Medical and dental expenses. The FM formula makes no provision for unusually high medical and dental expenses. Nevertheless, Congress intended that such expenses be considered under professional judgment. Under the former Congressional Methodology, an allowance was made for medical and dental expenses that exceed five percent of the family’s total income. Such an allowance might be appropriate under IM.

The aid administrator should be alert to the possibility that expenses for medical or dental treatment have been reported but that the insurance reimbursement has been omitted. In addition, although an allowance for a family’s medical expenses is part of the IPA, care should be taken to see that these (and other medical and dental expenses) are not paid through IRS-approved income-reduction plans that are not reported as untaxed income.

In most instances of unusually high medical and dental expenses incurred by taxpayers, the total amount will be included in IRS Form 1040, Schedule A as an itemized deduction. However, because of a threshold of 7.5 percent of AGI, some families will omit entries for

these expenses even though they may be sizable enough for consideration in need analysis.

In the case of longer range medical and dental care, such as mental health expenses, cancer therapy, or orthodontic work, only the current annual costs should be considered.

Extremely large or accumulated expenses should be carefully reviewed for appropriateness. One possible treatment of large indebtedness for medical and dental bills is to consider the indebtedness as an allowance against assets. In some instances, this clearly approximates the family's actual cash flow because they may not be able to repay the medical debt during the one year on which the aid application is based. [See Appendix C, Unusual Medical, Dental, and Nursing Home Expenses.]

Unreimbursed elementary and secondary school expenses. The FM formula makes no provision for unreimbursed elementary and secondary school expenses, but Congress intended that such expenses be in the province of financial aid administrators' professional judgment. The former Congressional Methodology provided an allowance for elementary and secondary school expenses that exceeded a maximum allowance for each dependent child. The allowance ceiling was revised annually according to the national average per pupil cost of public elementary and secondary instruction. A similar, updated allowance would be appropriate under institutional methodology.

Even so, there is a wide range of opinion about considering this expense. What is an issue for some financial aid administrators is whether the family has exercised discretion in incurring expenses that reduce their available resources. In general, discretionary decisions that reduce the expected family contribution are treated differently in need analysis from expenses incurred about which the family has no choice. The family's decision, particularly when a private school is involved, may be the factor that determines whether the allowance is permitted. Other considerations may be whether the child is required to attend a particular elementary or secondary school for medical, emotional, physical, or perhaps even academic program reasons. In any of these cases, it may be appropriate to grant an allowance for elementary or secondary tuition expenses. On the other hand, when awarding limited funds to students with exceptional financial need, the financial aid administrator may elect to reduce or eliminate the allowance if attendance at a particular school is one purely of individual choice.

Care should be exercised in establishing an institutional policy concerning the elementary and secondary expenses allowance. Such a policy should reflect the institution's philosophy and should be consistently applied. [See Appendix C, Elementary/Secondary School and Dependent Care Expenses]

Other allowances. Allowances for other expenses may be made for institutional purposes; for federal purposes, however, such expenses must meet the test of "special and unusual circumstances" established in statute. Establishing a list of examples of generally allowable expenses can simplify the task of processing applications and help ensure consistency of treatment. A key element that should be considered in evaluating potential allowances is whether the expenditures are voluntary or involuntary. Clearly, nondiscretionary expenses incurred by the family may be allowed. Examples include

dependent childcare expenses that fall outside any dependent care expense provided for in the COA policy, funeral expenses, legal fees, and moving expenses. Optional expenditures may require more discretion by the financial aid administrator as to whether such expenditures should take priority over postsecondary education in the family's budget. [Also see, Appendix C, Elementary/Secondary School and Dependent Care Expenses.]

Adjustments to income. The IRS allows several kinds of expenses to be excluded from taxable income as "adjustments to income." These include contributions to IRA and Keogh retirement plans, penalties for early withdrawal of funds from time savings accounts, one-half of self-employment FICA taxes for self-employed persons, and as much as 100 percent of health insurance premiums.

Contributions to a traditional IRA may be deducted as an "adjustment to income" if a student or parent meets certain conditions. These conditions include whether the individual is covered by an employer retirement plan, total income, filing status, and Social Security benefits received. Contributions to a Roth IRA cannot be deducted as an "adjustment to income." See IRS Publication 590-A for more information.

Prior to the 2024-25 award year, the FAFSA instructions call for IRA, SEP, SIMPLE IRA, and Keogh payments to be included as untaxed income. The rationale is that payments to these plans are voluntary or discretionary expenditures for many families and, therefore, should be included in total income for need analysis purposes. Depending on the individual family's circumstances, the financial aid administrator may wish to consider modifying the treatment of payments to these programs in determining the family contribution for institutional purposes. One alternative is to include the payments as assets rather than as income, thereby allowing these payments to be protected for retirement purposes like other assets. Another approach the financial aid administrator may consider depends on whether there is another, employer-sponsored retirement plan. If no other retirement program is available, the financial aid administrator may consider allowing the payments as allowances against family income.

Available income. The family's available income is calculated by subtracting the total allowances from total income. The remainder, if any, is presumed to be available for discretionary and supplemental spending (including postsecondary education) beyond the minimum level of support provided by the IPA, which is based on the U.S. Bureau of Labor Statistics lower budget standard.

Parents' Assets

In reviewing a family's assets, the aid administrator should keep in mind that it is logical to expect that assets are held by a family for some economic advantage. Assets should appreciate in value, produce income, or provide a benefit, such as shelter or a tax advantage. In many instances they do all of these. For this reason, assets should be examined with an eye to their interrelationship with income or the benefits derived from them.

The greatest difference between FM and IM is the treatment of assets. For FM formula purposes, parents' (and student's) assets are excluded from consideration under the "simplified needs test" if the parents' AGI is less than \$50,000 and they did not file a Schedule 1 with their IRS 1040, other than to report capital gains, unemployment compensation, Alaska Permanent Fund dividends, educator expenses, IRA deductions, or student loan interest deductions, or will not file a tax return (or parent was not required to file a U.S. income tax return). A family also qualifies for the simplified needs test if the parents' AGI is less than \$50,000 and a member of the parents' household received benefits from a specified means-tested federal benefits program, or one of the student's parents is a dislocated worker. For IM purposes, the aid administrator may want to consider parents' and student's assets in need analysis. (It should be noted that the HEA automatically includes in the "simplified needs test/no-assets" category all residents of Puerto Rico, the Virgin Islands, and other U.S. territories who do not file a U.S. income tax return, regardless of their income level.) Some financial aid applicants can automatically be calculated with a zero expected family contribution if the student's income or their parents' income is low enough. The income threshold for automatic zero EFC is \$29,000 for dependent and independent students for the 2023-24 award year.

As a result of the FASFA Simplification Act, there were several significant changes to the asset contribution components in the SAI formula. Effective in the 2024-25 award year, assets will now include the annual amount of child support received. The recipient of the child support will be asked to report the amount received in the last complete calendar year on the FAFSA. There has also been a change to the previous family farm and small business asset exclusion. The net worth of a business is no longer limited to those with more than 100 full-time employees. Applicants will be asked to report the net worth of all businesses, regardless of the size of the business and the net worth of a farm now includes the value of a family farm. Lastly, the asset protection allowance has narrowed to exclude education savings in the SAI formula.

Cash, savings, and checking accounts. The financial aid administrator may want to compare the amount reported for cash, savings, and checking accounts with interest income reported on income tax returns. If the yield rate does not seem reasonable, some financial aid administrators impute a value using the interest figure as the basis for the calculation for IM purposes. Others consult the family to reconcile the apparent discrepancy. If a financial aid administrator becomes aware of any conflicting information, it must be resolved before disbursing aid. If an inordinately large amount of cash is reported, the financial aid administrator may want to ascertain whether any major outlays are expected in the near future. For renewal FAFSAs, this item serves as a barometer of the family's cash flow and lifestyle while paying for education. Severe fluctuations from year to year may indicate either excessive harshness or generosity in the previous need analysis and adjustments may be considered.

Home equity. Home equity was eliminated from the FM formula beginning with the 1993-94 award year. For institutional purposes, however, the aid administrator may want to include this asset. Home equity is calculated by subtracting any outstanding mortgage or other debt from the home's present market value. Some aid administrators have the practice of using the purchase price of the home and its year of purchase to check the family's figures against national real estate appreciation figures. It should be noted that

home values may be affected by factors that are not reflected in national figures. Depressed housing markets in particular parts of the country, neighborhood deterioration, and industrial or highway encroachment are some reasons for slower appreciation or even a reduction in value. In addition, mobile homes generally depreciate in the same way that motor vehicles do.

In addition, the aid administrator may weigh whether it is reasonable to include a contribution attributable to home equity based on the feasibility of the family's accessing this asset (i.e., would the family's income or existing debt levels permit a lender to approve a home equity credit line or second mortgage?).

Other real estate equity. The possession of real estate (other than the home) usually means some income may be expected from it. This is not always the case, as in the case of undeveloped land or a second or vacation home that is not rented out. If income is produced, however, it should be included in AGI. If more information is needed, it should be requested from the family.

For institutional aid purposes, some financial aid administrators impute an income from other real estate using a factor similar to the rate of return on other investments. Their position is that it is reasonable to assume that property held for investment purposes should be as economically productive—in terms of income and appreciation—as other forms of investment.

The purchase price and year of purchase of other real estate may be used to assess whether the reported value shows reasonable appreciation. It should be noted, however, that because of economic conditions in a particular locale or region, real estate values may in fact decline. In such a situation it may be economically infeasible for a family to dispose of a property (even if they wanted to do so) without realizing a substantial loss.

Investments. Investments may be compared with interest and dividend income to see if a reasonable yield is reported. If there is an apparent discrepancy, some financial aid administrators may impute a reasonable return on investments. Others may correspond with the family to resolve the matter. If conflicting information is discovered, it must be resolved. Financial aid administrators should be aware that there may be wide fluctuations in the value of investments and the return on them. In some cases, the financial aid administrator may want to adjust the asset conversion rate for institutional purposes to prevent a kind of "double taxation." This is especially the case if the standard analysis derives all or a large portion of the family income—and thus the family contribution—from investment income. This may be of particular concern in cases involving widowed parents.

In some instances, investment income may be reported without a clear indication of its source. This may indicate income from a trust, estate, or insurance policy. The family may not have unlimited access to the corpus of a trust or the assets of an estate. The financial aid administrator should determine the beneficiaries in these cases and the degree of flexibility or inviolability of the assets. This information may be used for institutional purposes in the discretionary treatment of other assets or in the amount and kind of financial aid ultimately offered to the student.

If the financial aid administrator believes the family has neglected to report all its income-producing assets, clarification should be sought from the family. Special consideration may be needed in cases in which there has been a recent death because it may be too early to obtain a full evaluation of assets.

Other forms of investment, such as holdings in precious or strategic metals, commodity options, and money market accounts, may not produce interest or dividends. Such assets should be included in need analysis, but it may be inappropriate to impute any income flow from them. Yet other assets, such as antiques, jewelry, and artworks, may in fact have been acquired as investments but are usually excluded from need analysis.

These plans should be reported as an asset of the owner unless the owner is a dependent student. Financial aid administrators may exercise PJ to consider the value of qualified education plans not owned by the parent of a dependent student, but from which the dependent student benefits. For example, if the grandparent of a dependent student owns a savings plan for which the student is the beneficiary, a financial aid administrator may choose to include the value of the plan as a parental asset.

Business and farm. Beginning in the 1993-94 award year, the FM formula eliminated consideration of farm assets if the family resides on the farm. In 2006-07, HERA eliminated the consideration of family owned and operated small businesses as an asset if the business has 100 or fewer full-time or full-time equivalent employees. Effective in the 2024-25 award year applicants will be asked to report the net worth of all businesses, regardless of the size of the business and net worth of a farm will include the value of a family farm. Nevertheless, for institutional purposes, the financial aid administrator may want to carefully review farm and business assets.

In the earlier discussion of business and farm income, it was noted that financial dealings of the business or farm, including transactions with the owners or others, may affect the assets of the enterprise. For example, net profit from a business or farm may be transferred to assets as cash on hand or retained earnings. The schedule of depreciation allowed for income tax purposes may be helpful in confirming the values of some business or farm assets. It should be remembered, however, that land may not be depreciated and that fully depreciated assets will not appear on depreciation schedules.

In some instances, the worth of a business or farm may have decreased. If the productivity of the land or business has declined over time or some external factor has made the business or farm less desirable, the family may report a diminished worth of the farm or business. Partnerships or corporations in which there is only a small share of ownership may create similar problems because the family cannot control business or farm activities. Sometimes a family cannot dispose of an asset because of the restrictions of a trust or complications arising from an estate.

The aid administrator may also consider the debt-to-asset ratio of a business or farm enterprise. The same net worth value may represent an entirely different picture of the fiscal health of a business or farm depending on the debt-to-asset ratio. For example, an enterprise with a net worth of \$100,000 may represent a comparatively small operation with no debt (a zero debt-to-asset ratio) or a much larger operation with an inordinate

debt (e.g., a \$1,000,000 business with a \$900,000 debt has a 90 percent debt-to-asset ratio). The latter enterprise may be in financial distress because its ability to generate capital for operating expenses is limited by its debt (and maintenance of the debt).

Another way of measuring the financial health of an enterprise is to calculate the rate of return on equity. If an enterprise does not generate net income equal to a reasonable return—that is, similar to the return on other forms of investment—then the aid administrator may weigh whether it is realistic to view the enterprise as a source of support for a calculated contribution.

Pension assets. Some aid administrators, for institutional purposes, collect additional information about families' provisions for retirement. Some aid administrators include accumulated, vested pension assets in the family's net worth. Others reduce or eliminate the parents' asset protection allowance if substantial assets are found. Their justification is that the asset protection allowance is theoretically based on the retirement needs of the parent or parents and the assumption that the only allowable retirement provision should be Social Security benefits. If there are other provisions, it is argued, the protection allowance should be reduced.

Consumer and educational indebtedness. Although consumer debt and personal possessions are not typically considered in need analysis, it is possible to use this information for institutional purposes if the family is heavily in debt but making strides to overcome the situation. Debts should be thoroughly reviewed for appropriate justification. The aid administrator should be aware of how the indebtedness is distributed among creditors and may disallow indebtedness for discretionary purchases, such as automobiles, boats, recreational vehicles, and so forth. Some families will show large indebtedness because of previous loss of income from extended unemployment, illness, or business failure. Special consideration may be given in such cases. Educational debts of the parents for their own education and current year payments required for other educational obligations (e.g., PLUS loans) may also be included at the aid administrator's discretion. [See Appendix C, Unusual Debts.]

Parents' Contribution from Assets

The role that assets play in the total family contribution should be a reasonable one. By evaluating the relationship between asset strength and current income, the financial aid administrator can identify situations in which the expected contribution is not feasible. For institutional purposes, it may be deemed necessary to adjust the asset protection allowance or asset conversion rate in cases involving retired parents, a widow or widower, or a parent with a terminal or debilitating illness.

Parents' Contribution for the Student

If adjustments are made in the family's income, allowances, or assets, it is necessary to recompute the parents' contribution for the student based on the revised data elements.

In the earlier section on number of family members in college, procedures for reviewing the number were discussed. Once the number in college is determined, the standard procedure is to allot an equal portion of the total parents' contribution to each family member in college. This procedure, however, does not differentiate between higher and lower cost institutions.

An alternate approach for institutional purposes that recognizes this difference is for the financial aid administrator to distribute the total parents' contribution according to the cost of education at each of the family members' colleges. For example, if the total parents' contribution is \$8,000 and two children attend colleges costing \$3,000 and \$12,000 respectively, the calculated parents' contribution would be \$4,000 for each student. Some financial aid administrators, however, regard the parents' contribution to be limited to \$3,000 at the lower-cost college, and hold that the "excess" \$1,000 in contribution could be used by the other child. The parents' contribution, therefore, would be \$5,000 at the higher cost college. Another alternative is for the financial aid administrator to divide the parents' contribution proportionately, based on the comparative costs of the institutions attended. Using the previous example, 80 percent of the parents' contribution would be applied to the expenses of the child enrolled at the higher cost college and the remaining 20 percent to the sibling's expenses at the lower cost institution. Some financial aid administrators use an assessment rate schedule for multiple family members in college that assumes a total family contribution greater than 100 percent of the calculated contribution for one family member in college. For example, the contribution might be 120 percent for two in college (60 percent of the parent contribution for each), 135 percent for three in college (45 percent for each), and 150 percent for four or more in college (37.5 percent each).

Dependent Student Issues

For dependent students, the standard need analysis procedures should apply in most cases. Professional judgment is exercised primarily in determining whether all resources have been reported and establishing the appropriateness of the information. Students are expected to contribute a portion of their available income and assets toward the cost of their postsecondary education.

Contribution from income. The FM formula uses essentially the same definition of income for the dependent student as is used for parents. To determine "available income," the formula subtracts U.S. income tax paid, allowances for state and local taxes and FICA taxes, and an income protection allowance of \$7,600 (for the 2023-24 award year) from the student's total income. The contribution from income is calculated by applying a 50 percent assessment rate to available income. Because the student contribution from income is based on the prior-prior calendar year, the aid administrator may want to review the calculated figure to see if it is realistic. A student may not have the expected contribution because of illness, family needs, academic pursuits that precluded work, or the inability to find employment. If the student does not have the contribution, the aid administrator may adjust the expected figure to reflect the student's actual circumstances. The possibility also exists that after using expected year income information to calculate the student's eligibility, the student will produce higher income in the estimated year.

There are two views among aid administrators about dealing with such situations for institutional purposes. One view would allow the student to retain excess earnings without modifying the need analysis or aid package. The other view requires at least a minimum institutional expectation (if there is one) but would use any additional earnings as a resource in need analysis. If either approach is adopted for institutional purposes, it should be applied consistently so that all applicants receive equitable treatment. If the additional earnings are counted as a resource, it should be remembered that it is a form of self-help, and that the subsequent reduction in aid eligibility perhaps should come from either loans or employment in the financial aid package.

Veteran's educational benefits. If a dependent student receives veteran's educational benefits (e.g., Dependents Educational Assistance Program, Chapter 35), these are not included as income for need analysis purposes.

Contribution from student's assets. Twenty percent of a student's assets are deemed available as a contribution toward postsecondary expenses. If substantial assets are reported by the student, some financial aid administrators will inquire about the nature of the assets before they make any decisions about the student's contribution from assets. Student assets that are the product of parental savings may, for institutional purposes, be moved to parental assets, thus providing a larger measure of protection for those assets in recognition of their source. For example, assets may have been placed in the student's name by their parents under the Uniform Gift to Minors Act to take advantage of reduced income taxes on unearned income produced by the assets. Some financial aid administrators will regard all of these assets as a parental resource; others will "cap" the student's assets at an arbitrary level (such as \$5,000) and assign the remaining assets to the parents in need analysis. If the student has siblings, some financial aid administrators ask the parents whether similar family assets are held by the student's brothers and sisters as well.

A student's assets held in trust can be viewed in various ways, depending on the terms of the trust. If the trust cannot be invaded for educational purposes, it may be appropriate to reduce the student's contribution from assets and use a correspondingly higher proportion of self-help aid (loan or work) in the aid package. If the student will be enrolled for less than four years, the aid administrator may want to increase the contribution from student's assets to reflect the length of the program of study.

Independent Student Issues

The structure of need analysis for independent students varies according to the nature of the student's family responsibilities. The 1992 amendments to the HEA shifted treatment of married students without dependents (other than a spouse) from paralleling the treatment of dependent students' parents to paralleling the treatment of single independent students (without dependents other than a spouse).

Independent students without dependents other than a spouse. These individuals include single and married independent students with no children or other dependents.

The contribution from income parallels the procedures cited above for dependent students' own resources with the following exceptions:

- For the 2023-24 award year, the IPA is \$11,820 for an unmarried student or a married student whose spouse is enrolled at least half time, or \$18,960 for a married student whose spouse is not a student or is enrolled as a less than half-time student.
- An employment expense allowance is granted if the student is married and both the student and spouse are employed.
- The "simplified needs test" excludes student's (and, if applicable, spouse's) assets if the AGI is less than \$50,000, and if a member of the student's household received benefits from one of the specified means-tested federal benefits programs, if the student or the student's spouse is a dislocated worker, the filed an IRS 1040 and did not file a Schedule 1 with their IRS 1040, other than to report capital gains, unemployment compensation, Alaska Permanent Fund dividends, educator expenses, IRA deductions, or student loan interest deductions, or a U.S. IRS 1040 was not or will not be filed (or was not required to be filed).
- For the 2023-24 award year, the student (and, if applicable, spouse) may receive an automatic zero EFC if their income is \$29,000 or less.
- The EFC is divided by the number in college if the student is married and the spouse is enrolled at least half time.

Independent students with dependents (other than a spouse). The family contribution for independent students with dependents (other than a spouse) is calculated in the same way that the parents' contribution is calculated.

Marginal assessment rates on taxable income. The FM formulas for independent students apply marginal assessment rates to the student's available income that assess only a portion of total income. These provisions have budget construction implications. Institutions should use budgets that represent "minimum costs" for the student. Additional expenses, which supplement the basic budget, may be covered by the portion of a student's earnings that is not assessed by the FM formula. In this way, the marginal assessment rates on available income provide incentives for a student to seek employment. As a student's earnings increase, part of the increase is available to bolster their standard of living.

Alternate approaches to determining an independent student's contribution from income. For institutional purposes, some financial aid administrators argue that because the student is the primary beneficiary of the educational endeavor, all of the student's (and family's) resources should be expected to help meet a comprehensive COA. Others suggest using a higher assessment rate for upper income levels. If the financial aid administrator makes adjustments to the assessment rates on the student's taxable income, there may be budget construction considerations that should be examined concurrently.

Minimum contribution from income. For institutional purposes, a minimum contribution from income may be expected from the student (and spouse). Despite this, the aid

administrator may exercise professional judgment in setting aside or altering expectations. Reasons for doing this may include the following:

- Local economic and employment conditions;
- Medical reasons that preclude the student (or spouse) from being employed;
- Disability of the student (or spouse) that may limit or restrict earnings; and/or
- Any factor that may limit or impede the student's earning potential.

The aid administrator should carefully review individual circumstances to determine if, for institutional purposes, the student's contribution is reasonable because of factors beyond the student's control.

Estimated income versus previous income levels. The aid administrator may want to compare a student's projected income for the "projected year" (e.g., the calendar year following the "base year," or any reasonable consecutive 12-month period) or the award year with the base year income reported on the FAFSA. It may be appropriate to adjust the expected contribution because of a student's change of status from full-time worker to student and part-time worker. It may be necessary to collect relevant information about the estimated year, such as projected average weekly work hours, rate of pay, tips (if applicable), and periods of unemployment. Pay stubs, W-2 forms, and employer contracts are useful for subsequent verification of the projections. Federal Work-Study and other forms of aid should not be included in the student's or spouse's income.

Student's untaxed income and benefits. In reviewing untaxed income and benefits, the aid administrator should check to be certain that all such sources of income are reported. It may be appropriate to request documentation from the relevant agencies to confirm receipt of certain types of benefits. In some instances, a student may have unreported benefits, such as childcare or housing benefits. Note that in some instances, regulations governing benefits (e.g., Supplemental Nutritional Assistance Program benefits, or food stamps) may specifically prohibit their inclusion as a student resource for need analysis purposes.

Veteran's noneducation benefits. Veteran noneducation benefits such as Disability, Death Pension, Dependency and Indemnity Compensation (DIC), and/or Department of Veterans Affairs (VA) Educational Work-Study allowances are currently collected on the FAFSA under the Untaxed Income section. Effective in the 2024-25 award year, this will no longer be collected on the FAFSA and no longer used in federal need analysis.

Combat pay. ED has also allowed for the exclusion of combat pay from the FAFSA and FM calculation for members of the U.S. Armed Forces who serve or served in a combat zone. Taxable combat pay is included in the individual taxpayer's AGI reported on the FAFSA; it is then reported as excluded income later on the FAFSA. Untaxed combat pay is not reported at all on the FAFSA.

Student's and spouse's assets. The asset treatment for independent students employs different asset assessment rates depending on whether the student has dependents (other than a spouse). Independent students with dependents have their assets assessed

in the same way as parental assets at seven percent. For independent students without dependents, a 20 percent asset assessment rate applies.

It may be argued for institutional purposes that because an independent student is the primary beneficiary of their education, the assessment rate should be higher than that of a dependent student's parents (12 percent).

Questions the Financial Aid Administrator Might Ask Regarding the Appropriateness of the Family Contribution from Assets

- Should the number or age of dependent children have any bearing on the student's contribution from assets?
- Should the liquidity of the family's assets be a factor in determining the student's contribution from assets?
- Should catastrophic occurrences (e.g., terminal illness) have an impact on the asset protection allowance or assessment rate?
- Has the net worth of any asset decreased substantially since the student filed the FAFSA?

Children of Divorced or Separated Parents

Considerations in determining institutional policy. Given the number of students with divorced or separated parents, aid administrators must give careful consideration to establishing an institutional policy that ensures equitable and consistent treatment of all students. These situations require a particular sensitivity to individual circumstances and to the collection of additional information.

Some questions to consider in establishing institutional policy for awarding institutional funds in this area are:

- Should both natural parents have a responsibility to contribute to their children's education, regardless of marital status?
- Should parental responsibility always be based on measured ability to pay, rather than willingness, even with institutional funds?
- Should parental responsibility be a moral responsibility that goes beyond any legal agreement that has been executed?
- Should the length of time since a divorce or separation affect the responsibility of the parents to contribute to their children's education?
- Should stepparents with whom the applicant resides always have support responsibility? What if there is a prenuptial agreement that precludes a stepparent's contribution?
- Should guardianship be an indicator of economic responsibility for the student?

Calculating the family contribution. After assembling all necessary information (or an explanation for non-responses to requests for information), the financial aid administrator should decide whether it is appropriate to expect a contribution from both the custodial parent and stepparent. If this is the case, the usual need analysis procedures are followed. There should be no contribution expected from the noncustodial parent beyond what may be paid in child support.

On the other hand, if the aid administrator believes that it is appropriate to expect a contribution from both the custodial and noncustodial parents for IM purposes, the situation is more complex. Separate analyses may be performed on each family unit, taking into account the family situation in each instance. Each resulting parents' contribution can be apportioned according to the parents' respective shares of their new family's resources. Each parent's separate share can be divided among any children in college. If the custodial parent is not employed and does not have substantial assets, the aid administrator must judge whether any contribution can be expected. If the stepparent's income places the family at a moderate standard of living, a contribution at least equal to basic maintenance can be expected. If the family's income is larger, somewhat more can be expected as a contribution.

Alimony and child support. The IRS no longer treats alimony as taxable income for the receiving parent and as an adjustment to income for the providing parent. Child support received is not considered taxable income for IRS purposes, and neither is it allowed as a tax deduction for the providing parent.

Instead of treating child support as untaxed income for the receiving parent, 75 percent of the child support may be applied as a direct resource for the applicant for a nine-month budget, for institutional aid purposes. The amount of child support is not necessarily a ceiling on the contribution from either parent. As suggested earlier, in the case of divorced or separated parents, there may be additional support being provided (or at least available) from the noncustodial parent beyond any alimony or child support payments required by a court decree.

Conclusion

This publication outlines numerous circumstances in which the aid administrator may be called upon to exercise professional judgment. The aid administrator is expected to provide leadership in the development of institutional policies and guidelines for exercising professional judgment and to ensure the consistent application of those policies. When questions develop involving professional judgment, the aid administrator may find it helpful to consult colleagues at similar institutions. A continuing dialogue among financial aid administrators will prove beneficial in refining professional judgment, with the objective of serving all students more equitably and compassionately.

Appendix A—Section 479(a) of the HEA, as Amended

Higher Education Act of 1965, as Amended.

Section 479(a). Discretion of Student Financial Aid Administrators

(a) In general

(1) Authority of financial aid administrators

A financial aid administrator shall have the authority to, on the basis of adequate documentation, make adjustments to any or all of the following on a case-by-case basis:

(A) For an applicant with special circumstances under subsection (b) to-

(i) the cost of attendance;

(ii) the values of the data used to calculate the student aid index; or

(iii) the values of the data used to calculate the Federal Pell Grant award.

(B) For an applicant with unusual circumstances under subsection (c), to the dependency status of such applicant.

(2) Limitations on authority

(A) Use of authority

No institution of higher education or financial aid administrator shall maintain a policy of denying all requests for adjustments under this section.

(B) No additional fee

No student or parent shall be charged a fee for a documented interview of the student by the financial aid administrator or for the review of a student or parent's request for adjustments under this section including the review of any supplementary information or documentation of a student or parent's special circumstances or a student's unusual circumstances.

(C) Rule of construction

The authority to make adjustments under paragraph (1)(A) shall not be construed to permit financial aid administrators to deviate from the cost of attendance, the values of data used to calculate the student aid index or the values of data used to calculate the Federal Pell Grant award (or both) for awarding aid under this subchapter in the absence of special circumstances.

(3) Adequate documentation

Adequate documentation for adjustments under this section must substantiate the special circumstances or unusual circumstances of an individual student, and may include, to the extent relevant and appropriate-

(A) a documented interview between the student and the financial aid administrator;

(B) for the purposes of determining that a student qualifies for an adjustment under paragraph (1)(B)-

(i) submission of a court order or official Federal or State documentation that the student or the student's parents or legal guardians are incarcerated in any Federal or State penal institution;

(ii) a documented phone call or a written statement, which confirms the specific unusual circumstances with-

(I) a child welfare agency authorized by a State or county;

(II) a Tribal welfare authority or agency;

(III) an independent living case worker, such as a case worker who supports current and former foster youth with the transition to adulthood; or

(IV) a public or private agency, facility, or program servicing the victims of abuse, neglect, assault, or violence, which may include domestic violence;

(iii) a documented phone call or a written statement from an attorney, a guardian ad litem, or a court-appointed special advocate, or a person serving in a similar capacity which confirms the specific unusual circumstances and documents the person's relationship to the student;

(iv) a documented phone call or written statement from a representative under division 1 or 2 of subpart 2 of part A, which confirms the specific unusual circumstances and documents the representative's relationship to the student;

(v) documents, such as utility bills or health insurance documentation, that demonstrate a separation from parents or legal guardians; and

(vi) in the absence of documentation described in this subparagraph, other documentation the financial aid administrator determines is adequate to confirm the unusual circumstances, pursuant to section 1087vv(d)(9) of this title; and

(C) supplementary information, as necessary, about the financial status or personal circumstances of eligible applicants as it relates to the special circumstances or unusual circumstances based on which the applicant is requesting an adjustment.

(4) Special rule

In making adjustments under paragraph (1), a financial aid administrator may offer a dependent student financial assistance under a Federal Direct Unsubsidized Stafford Loan without requiring the parents of such student to provide their parent information on the Free Application for Federal Student Aid if the student does not qualify for, or does not choose to use, the unusual circumstance option described in section 1087vv(d)(9) of this title, and the financial aid administrator determines that the parents of such student ended financial support of such student or refuse to file such form.

(5) Public disclosure

Each institution of higher education shall make publicly available information that students applying for aid under this subchapter have the opportunity to pursue adjustments under this section.

(b) Adjustments for students with special circumstances**(1) Special circumstances for adjustments related to Pell Grants**

Special circumstances for adjustments to calculate a Federal Pell Grant award-

(A) shall be conditions that differentiate an individual student from a group of students rather than conditions that exist across a group of students; and

(B) may include-

- (i) recent unemployment of a family member or student;
- (ii) a student or family member who is a dislocated worker (as defined in section 3102 of title 29);
- (iii) a change in housing status that results in an individual being a homeless youth;
- (iv) an unusual amount of claimed losses against income on the Federal tax return that substantially lower adjusted gross income, such as business, investment, or real estate losses;
- (v) receipt of foreign income of permanent residents or United States citizens exempt from Federal taxation, or the foreign income for which a permanent resident or citizen received a foreign tax credit;
- (vi) in the case of an applicant who does not qualify for the exemption from asset reporting under section 1087ss of this title, assets as defined in section 1087vv(f) of this title; or
- (vii) other changes or adjustments in the income, assets, or size of a family, or a student's dependency status.

(2) Special circumstances for adjustments related to cost of attendance and student aid index

Special circumstances for adjustments to the cost of attendance or the values of the data used to calculate the student aid index-

(A) shall be conditions that differentiate an individual student from a group of students rather than conditions that exist across a group of students, except as provided in sections 1087uu and 1087uu-1 of this title; and

(B) may include-

- (i) tuition expenses at an elementary school or secondary school;
- (ii) medical, dental, or nursing home expenses not covered by insurance;
- (iii) child care or dependent care costs not covered by the dependent care cost allowance calculated in accordance with section 1087ll of this title;
- (iv) recent unemployment of a family member or student;

(v) a student or family member who is a dislocated worker (as defined in section 3102 of title 29);

(vi) the existence of additional family members enrolled in a degree, certificate, or other program leading to a recognized educational credential at an institution with a program participation agreement under section 1094 of this title;

(vii) a change in housing status that results in an individual being a homeless youth;

(viii) a condition of severe disability of the student, or in the case of a dependent student, the dependent student's parent or guardian, or in the case of an independent student, the independent student's dependent or spouse;

(ix) unusual amount of claimed losses against income on the Federal tax return that substantially lower adjusted gross income, such as business, investment, or real estate losses; or

(x) other changes or adjustments in the income, assets, or size of a family, or a student's dependency status.

(c) Unusual circumstances adjustments

(1) In general

Unusual circumstances for adjustments to the dependency status of an applicant shall be-

- (A) conditions that differentiate an individual student from a group of students; and
- (B) based on unusual circumstances, pursuant to section 1087vv(d)(9) of this title.

(2) Provisional independent students

(A) Requirements for the Secretary

The Secretary shall-

(i) enable each student who, based on an unusual circumstance described in section 1087vv(d)(9) of this title, may qualify for an adjustment under subsection (a)(1)(B) that will result in a determination of independence under this section or section 1087uu-2 of this title to complete the Free Application for Federal Student Aid as an independent student for the purpose of a provisional determination of the student's Federal financial aid award, with the final determination of the award subject to the documentation requirements of subsection (a)(3);

(ii) upon completion of the Free Application for Federal Student Aid provide an estimate of the student's Federal Pell Grant award, and other information as specified in section 1090(a)(3)(A) of this title, based on the assumption that the student is determined to be an independent student; and

(iii) specify, on the Free Application for Federal Student Aid, the consequences under section 1097(a) of this title of knowingly and willfully completing the Free Application for Federal Student Aid as an independent student under clause (i) without meeting the unusual circumstances to qualify for such a determination.

(B) Requirements for financial aid administrators

With respect to a student accepted for admission who completes the Free Application for Federal Student Aid as an independent student under subparagraph (A), a financial aid administrator shall-

(i) notify the student of the institutional process, requirements, and timeline for an adjustment under this section and section 1087vv(d)(9) of this title that will result in a review of the student's request for an adjustment and a determination of the student's dependency status under such sections within a reasonable time after the student completes the Free Application for Federal Student Aid;

(ii) provide the student a final determination of the student's dependency status and Federal financial aid award as soon as practicable after all requested documentation is provided;

(iii) retain all documents related to the adjustment under this section and section 1087vv(d)(9) of this title, including documented interviews, for at least the duration of the student's enrollment, and shall abide by all other record keeping requirements of this chapter; and

(iv) presume that any student who has obtained an adjustment under this section and section 1087vv(d)(9) of this title and a final determination of independence for any preceding award year at an institution of higher education to be independent for each subsequent award year at the same institution unless-

(I) the student informs the institution that circumstances have changed; or

(II) the institution has specific conflicting information about the student's independence.

(C) Eligibility

If a student pursues provisional independent student status and is not determined to be an independent student by a financial aid administrator, such student shall only be eligible for a Federal Direct Unsubsidized Stafford Loan for that award year unless such student subsequently completes the Free Application for Federal Student Aid as a dependent student.

(d) Adjustments to assets or income taken into account

A financial aid administrator shall be considered to be making a necessary adjustment in accordance with this section if-

(1) the administrator makes adjustments excluding from family income or assets any proceeds or losses from a sale of farm or business assets of a family if such sale results from a voluntary or involuntary foreclosure, forfeiture, or bankruptcy or a voluntary or involuntary liquidation; or

(2) the administrator makes adjustments for a condition of disability of a student, or in the case of a dependent student, the dependent student's parent or guardian, or in the case of an independent student, the independent student's dependent or spouse, so as to take into consideration the additional costs incurred as a result of such disability.

(e) Refusal or adjustment of loan certifications

On a case-by-case basis, an eligible institution may refuse to use the authority provided under this section, certify a statement that permits a student to receive a loan under part D, certify a loan amount, or make a loan that is less than the student's determination of need (as determined under this part), if the reason for the action is documented and provided in writing to the student. No eligible institution shall discriminate against any borrower or applicant in obtaining a loan on the basis of race, ethnicity, national origin, religion, sex, marital status, age, or disability status.

(f) Special rule regarding professional judgment during a disaster, emergency, or economic downturn**(1) In general**

For the purposes of making a professional judgment under this section, financial aid administrators may, during a qualifying emergency-

(A) determine that the income earned from work for an applicant is zero, if the applicant can provide paper or electronic documentation of receipt of unemployment benefits or confirmation that an application for unemployment benefits was submitted; and

(B) make additional appropriate adjustments to the income earned from work for a student, parent, or spouse, as applicable, based on the totality of the family's situation, including consideration of unemployment benefits.

(2) Documentation

For the purposes of documenting unemployment under paragraph (1), documentation shall be accepted if such documentation is submitted not more than 90 days from the date on which such documentation was issued, except if a financial aid administrator knows that the student, parent, or spouse, as applicable, has already obtained other employment.

(3) Program reviews

The Secretary shall make adjustments to the model used to select institutions of higher education participating under this subchapter for program reviews in order to account for any rise in the use of professional judgment under this section during the award years applicable to the qualifying emergency, as determined by the Secretary.

(4) Qualifying emergency

In this subsection, the term "qualifying emergency" means-

(A) an event for which the President declared a major disaster or an emergency under section 5170 or 5191, respectively, of title 42;

(B) a national emergency related to the coronavirus declared by the President under section 1621 of title 50; or

(C) a period of recession or economic downturn as determined by the Secretary, in consultation with the Secretary of Labor.

Appendix B: FAFSA Simplification Act, Changes Affecting Professional Judgment

Effective with the 2023-24 award year, rules and guidance related to professional judgment changed in significant ways. The FAFSA Simplification Act, which was enacted into law as part of the Consolidated Appropriations Act, 2021 distinguishes between different categories of professional judgment by amending section 479A of the HEA. While the SAI will replace the EFC in 2024-25, this publication will continue to reference the EFC until the full implementation of SAI.

Unusual circumstances and special circumstances are now identified as specific categories of professional judgment. Unusual circumstances refer to conditions that justify an aid administrator making an adjustment to a student's dependency status based on a unique situation and is more commonly referred to as a dependency override. Special circumstances now refer to the financial situations that justify an aid administrator adjusting data elements in the cost of attendance (COA) or expected family contribution (EFC) calculation. The institution must also publicly disclose that students may pursue an adjustment based on special or unusual circumstances.

In cases of unusual circumstances, the FAFSA Simplification Act provides specific examples. Financial aid administrators have the authority to determine independent status based on unusual circumstances which must be based on instances in which the student is unable to contact a parent or where contact with parents poses a risk to the student.

This includes situations such as:

- Human trafficking;
- Legally granted refugee or asylum status;
- Parental abandonment or estrangement; and
- Student or parental incarceration.

Financial aid administrators are now required to presume any student who received a dependency override in a preceding award year to be independent for each subsequent award year at the same institution unless the student informs the institution that their circumstances have changed, or the institution has conflicting information about the student's independence. This is effective with any determinations made in 2023-24 award year and subsequent award years. If the determination was made in the 2022-23 award year the school may choose to presume the student to still be independent for 2023-24 but are not yet required to. Institutions are now required to review all requests for dependency overrides as quickly as practicable, but no later than 60 days after the student enrolls.

The FAFSA Simplification Act further provides examples of what may constitute adequate documentation for the purposes of professional judgment. This includes, but is not limited to:

- Documented interview between the student and financial aid administrator;
- Submission of a court order or official federal or state documentation that the students' parents or legal guardian are incarcerated;
- Documented determination of independence made by a financial aid administrator at another institution in the same or prior award year;
- Supplementary information about financial status or personal circumstances of applicant as it relates unusual circumstances; or
- Documented phone call or written statement from an attorney, court-appointed special advocate, a representative of a TRIO or GEAR UP program, a public or private agency servicing the victims of abuse, neglect, assault of violence that confirms the circumstances and the person's relationship to the student.

Additionally, the FAFSA Simplification Act introduces new institutional requirements for processing and communicating with students who request an adjustment for special and unusual circumstances. Institutions must:

- Make students aware of their ability to pursue an adjustment for both unusual and special circumstances by publicly posting the option on their website;
- Notify students of the school's process, requirements, and reasonable timeline to review adjustment requests after their FAFSA is submitted; and
- Retain all documentation, including documented interviews, related to the adjustment for at least 3 years after the student's last term of enrollment.

Schools are prohibited from having a policy that denies students the opportunity to request an adjustment due to unusual or special circumstances which means schools cannot have a policy of denying all of a certain type of PJ request. This also extends to implementing deadlines after which an institution will not consider a professional judgment request. Therefore, school-imposed deadlines for students submitting professional judgment requests are not permitted. The longstanding guidance requiring a PJ be processed while the student is still enrolled has not changed and remains in effect. Schools are not required to approve all PJ requests; however, all requests must be reviewed. Schools must develop policies and procedures for reviewing those requests.

Although PJ provisions of the FAFSA Simplification Act into effect for the 2023-24 award year, there are certain aspects that relate to the FAFSA form that will be implemented for the 2024-25 award year. Both initial and renewal applicants who indicate they have an unusual circumstance on the FAFSA will submit their application under a provisional independent status. This will allow the applicants to receive a SAI with an estimate of their financial aid eligibility.

Institutions now have additional guidance on the timing of determinations of independence for certain student populations. Although unaccompanied homeless youth or at-risk homeless youth, foster care youth, orphans and wards of the court do not fall within professional judgment, there is now a timeframe associated with the collection of documentation and review of students in this category, as well as students with unusual circumstances. Institutions must review all requests for a determination of independence as quickly as practicable, but no later than 60 days after the student enrolls.

The FAFSA Simplification Act stipulates that during a time of a qualifying emergency, financial aid administrators may use professional judgment to zero out income earned from work if the applicant can provide paper or electronic documentation of receipt of unemployment benefits or can provide proof that an application for unemployment benefits was submitted. Financial aid administrators are also given authority under this provision to adjust income earned from work for a student, parent, or spouse, based on the totality of a family's situation. This codifies previous guidance from the U.S. Department of Education (ED) to exercise professional judgment during a disaster, emergency or economic downturn issued formerly in Dear Colleague Letters.

Documentation is considered acceptable if it is submitted not more than 90 days from when it was issued, unless the aid administrator is already aware that the student, spouse, or parent is employed again. However, a school may use discretion to accept documentation older than 90 days if it does not have a reason to believe there is conflicting information.

ED also requires the U.S. Secretary of Education to adjust the model used to determine program reviews so that it accounts for an increased number of professional judgments during the years associated with a qualifying emergency.

Appendix C: Guide to Addressing Special and Unusual Circumstances Introduction

The information contained in this Appendix is intended to be a guide for schools to begin considering how they may gather information and documentation relevant to potential professional judgment decisions.

Beginning in 1993-94 financial aid administrator judgment extended to four areas previously included as part of the formal financial aid application, namely: private elementary and secondary school expenses, dislocated worker status, displaced homemaker status, and unusual medical and dental expenses. Since then, other statutory changes extended professional judgment further to such considerations as unusually high dependent care expenses, recent unemployment of an independent student or family member, at postsecondary enrollment of family members homelessness, and refusal of parental support. The FAFSA directs applicants to contact the financial aid administrator if special and/or unusual circumstances are present.

In addition to more typical professional judgment decisions, there may be other reasons to collect additional information. For example, the cost of attendance provisions of the statute (Section 472) require the inclusion of estimated actual expenses incurred for dependent care of a student's children based on the number and ages of dependents.

This guide identifies special and unusual circumstances affecting the parents of dependent students as well as independent students and/or spouses, and provides a description of the circumstances, suggestions for collecting and verifying data, and recommendations for implementing adjustments.

It is important to remember that the statutory authority for professional judgment decisions applies to all HEA Title IV programs (including Federal Pell Grants) and permits adjustments only due to special and unusual circumstances on a case-by-case basis to data items in the COA and need analysis (i.e., determination of the EFC). Methodological changes and adjustments made directly to the EFC are not permitted. The financing method used by a family to pay an extenuating expense, whether from current income or from asset reserves, will likely determine which data element is adjusted. Most of these circumstances may result in changes to data items in one of two areas: (a) total income; or (b) net assets.

Unusual Medical, Dental, and Nursing Home Expenses

Reason: Hardship affecting a family’s ability to pay. (Cited in the Higher Education Amendments of 1992 conference report as an issue to be addressed on a case-by-case basis.)

Information gathering: For parents of dependent students or for independent students (and spouses):

Table 1. Unusual Medical, Dental, or Long-Term Care Expenses

1. How much did you pay for medical/dental insurance in the base year? (Do not include employer’s contribution.)	\$_____
2. What were your base year medical/dental expenses not paid by insurance?	\$_____
3. Will your unreimbursed medical/dental expenses be lower, the same, or higher in the award year? Explain the reason.	<input type="checkbox"/> Lower <input type="checkbox"/> The same <input type="checkbox"/> Higher
4. Is there an unpaid balance that must be satisfied during the student’s period of enrollment?	<input type="checkbox"/> Yes <input type="checkbox"/> No
5. From what sources will you finance these expenses?	
6. Is the expense long-term due to an ongoing treatment, condition, or illness?	<input type="checkbox"/> Yes <input type="checkbox"/> No

Possible requests for documentation: Income tax return Schedule A (itemized medical and dental deductions); receipts and/or canceled checks of medical and dental payments; insurance documentation of covered costs.

Possible Implementation:

- (1) Reduce AGI by medical, dental, or long-term care expenses that exceed a certain percentage of total income (current IRS treatment), or use the 11 percent Income Protection Allowance for medical expenses from the Application and Verification Guide section of the 2023-24 *FSA Handbook*;
- (2) Reduce AGI by annual installment payments made for long-range medical and dental care (e.g., cancer therapy or orthodontic work) or long-term care payments;
- (3) Reduce taxes paid to correspond with any reduction in AGI;
- (4) Consider such long-range indebtedness as allowance against assets (may be a more accurate reflection of cash flow, since expenditures may be paid over a period of years); or
- (5) Other.

Support of Extended Family

Reason: To address on a case-by-case basis families who provide financial support to relatives who are unable to support themselves adequately but who do not qualify as members of the family’s household.

Information gathering: For parents of dependent students or independent students (and spouses):

Table 2. Extended Family Support

1. Do you contribute financial support to a relative(s) not counted as a member (or members) of your household? Yes No

2. If “Yes,” provide the following information for each such relative(s):

Name(s) of the supported relative(s):

Age(s):

Relationship to student:

Support began (month, year):

Support ends (month, year):

Amount you paid:

Amount paid by other sources:

Reason for support:

3. Does the individual(s) reside in the household? Yes No

4. Will these expenses be lower, the same, or higher in the award year? Lower
 Explain the reason. The same
 Higher

5. From what sources will you finance these expenses?

Possible requests for documentation: Receipts, billing statements, signed statement from student or parent.

Possible Implementation:

- (1) Reduce AGI by amount of support;
- (2) Reduce taxes paid to correspond with any reduction of AGI;
- (3) Adjust assets;
- (4) Adjust family size; or
- (5) Other.

Elementary/Secondary School and Dependent Care Expenses

Reason: Identifies added expenses related to attendance at tuition-charging schools, childcare, or care of a disabled or elderly family member. (Elementary/Secondary School costs cited in the Higher Education Amendments of 1992 conference report as an item to be addressed on a case-by-case basis.)

Information gathering: For parents of dependent students or independent students (and spouses):

Table 3. Elementary/Secondary Education and Dependent Care Expenses

1. Do you pay for elementary or secondary education expenses or dependent care expenses? Yes No

2. If "Yes," provide the following information for each such relative(s):
 Name(s) of the supported relative(s):
 Age(s):
 Relationship to student:
 Amount of childcare expenses:
 Amount of elementary or secondary education expenses:
 Amount of adult dependent care expenses:
 Total annual expense for base year:
 Reason:

3. Why does the child attend private school? Does the child have special needs that are met by the private school? Yes No

4. Will these expenses be lower, the same, or higher in the award year? Explain the reason. Lower
 The same
 Higher

5. From what sources will you finance this support?

6. Will any of the costs be reimbursed by another source? Yes No

Possible requests for documentation: Income tax return (listing of dependents); receipts for tuition/dependent care payments; signed, itemized statement of expenses; cancelled checks.

Possible Implementation:

- (1) Reduce AGI by expense amounts;
- (2) Reduce taxes paid to correspond with any reduction of AGI;
- (3) Adjust assets; or
- (4) Other.

Unusual Debts

Reason: To address on a case-by-case basis families with high debt payments for extenuating circumstances, such as mortgages or credit card debts to cover unemployment expenses or failed businesses; legal fees for divorce, adoption, etc.; education loans of parents or spouses; or personal debts for nondiscretionary expenses.

Information gathering: For parents of dependent students or independent students (and spouses):

Table 4. Unusual Debts

1. Do you have unusual debts or loans for which you are currently making monthly payments?	<input type="checkbox"/> Yes <input type="checkbox"/> No
2. If "Yes," provide the following information: Type and cause of debt owed, and by whom: Amount of original debt: Date incurred (month, year): Balance owed on debt: Date payments began: Monthly payment: Holder of debt: Date payments end:	
3. Will these expenses be lower, the same, or higher in the award year? Explain the reason.	<input type="checkbox"/> Lower <input type="checkbox"/> The same <input type="checkbox"/> Higher
4. Is the expense or debt the result of discretionary choices?	<input type="checkbox"/> Yes <input type="checkbox"/> No
5. Is the applicant or parent responsible for all or a portion of the debt?	<input type="checkbox"/> Yes <input type="checkbox"/> No
6. From what sources will you finance this support?	
7. Will any portion of the debt be expunged in bankruptcy, legal settlement, or other legal agreement?	<input type="checkbox"/> Yes <input type="checkbox"/> No

Possible requests for documentation: Contract, mortgage, or lien; billing or payment summary from person, company, or agency to whom or which money is owed; signed explanatory statement from parent or student.

Possible Implementation:

- (1) Reduce AGI by amount of some or all installment payments on these debts;
- (2) Adjust assets, if this treatment may be a more accurate reflection of the family's cash flow; or
- (3) Other.

Adjusting Number in College (Effective in 2024-25 Award Year)

Reason: The FAFSA Simplification Act contained significant changes to the FM formula for determining Title IV federal student aid eligibility. While those changes will go into effect for the 2024-25 award year, the new FM formula does not consider a family’s number in college. The number in college question will still appear on the FAFSA but it will have no impact in the FM formula and adjusting the number on the ISIR will not result in a change.

Information gathering: For parents of dependent students or independent students (and spouses):

Table 5. Adjusting Number in College

1. Do you have additional family members enrolled in a degree, certificate, or other program leading to a recognized educational credential at an institution? Yes No

2. If “Yes,” provide the following information for each additional family member(s):

- Name(s) of the family member(s):
- Age(s):
- Relationship to student:
- Additional family member’s full cost of attendance (including a breakdown of costs to be paid to the institution directly and costs paid to others) for the award year:
- Amount of costs paid to the institution directly (such as tuition and fees):
- Amount of costs paid to others (such as books, course materials, supplies and equipment, transportation):
- Total amount of grants and scholarship aid the additional family member is receiving for the award year:
- Total amount of federal work study offered to the additional family member for the award year:
- Total amount of student loans the additional family member is receiving for the award year:

Reason:

3. How does having multiple family members attending college during the same award year constitute a special circumstance for the student?

Explain the reason.

4. Will these expenses be lower, the same, or higher than they were in the previous award year? Explain the reason. Lower
 The same
 Higher

5. From what sources will you finance this support?

6. Will any of the costs be reimbursed by another source? Yes No

Possible requests for documentation: Receipts for tuition payments from additional family member; signed, itemized statement of expenses; financial aid offer from additional family member.

Possible Implementation:

- (1) Calculate the other family member's COA minus any grants or scholarships and reduce the student's AGI by that amount;
- (2) Consider payments made towards an allowance against assets;
- (3) Adjust the miscellaneous personal expenses component or another component of the COA to reflect additional costs; or
- (4) Other.

Income Reduction or Nonrecurring Income

Reason: To address on a case-by-case basis instances when base year income does not accurately reflect a family’s or student’s ability to pay for education, such as divorce or death (possible displaced homemaker), change or loss of employment (possible dislocated worker), disability, or receipt of nonrecurring income.

Information gathering: For parents of dependent students or independent students (and spouses):

Table 6. Income Reduction or Nonrecurring Income

1. Will your income and/or your parents’/spouse’s income be less in the award year than in the base year for any of the reasons listed in question 2? Yes No

2. If “Yes,” check the appropriate reason and explain, giving the date of the change in your situation.

- (a) Unemployment or change in employment
- (b) Divorce/separation
- (c) Death of student’s parent or spouse
- (d) Disability of student or student’s parent or spouse
- (e) One-time income (e.g., inheritance, moving expense allowance, back-year Social Security payments, IRA or pension distribution, or gambling winnings). Date of occurrence: _____

3. If 2(a), (b), (c), or (d) is checked, provide the following information for the period (month, year) to (month, year):

Wages, salaries, tips (including severance pay, disability payments, and any income from work):	_____ to _____
Other taxable income:	_____ to _____
Child support received:	_____ to _____
Other untaxed income:	_____ to _____
TOTAL anticipated income:	_____ to _____

4. If 2(e) is checked, identify the source of income, the amount, and how funds were spent or invested:

If you/your parents are/is divorced or separated, include only your/your custodial parent’s income information. If the loss of income is due to the death of your spouse/parent, include only your/your surviving parent’s income information.

Possible requests for documentation: For estimated income: signed statements documenting estimated earnings; alimony or child support designated in divorce agreements; unemployment compensation and job training benefits; actual disability and social security benefits received. For nonrecurring income: income tax return and/or applicable forms/schedules (itemized deductions; moving expenses, capital gains and losses, death certificate, divorce decree, etc.).

Possible Implementation:

- (1) Use expected year income; consider using either anticipated calendar year income or award year income;
- (2) If nonrecurring income was spent in the base year, reduce AGI by that amount;
- (3) Exclude income amount if source of nonrecurring income is an IRA or pension distribution that has been rolled over, it should not be counted as income or as an asset because such retirement funds are not currently part of the FM; or
- (4) Other.

Dependency Status

Reason: To address on a case-by-case basis a student who claims to be independent but does not meet the federal criteria. The student must demonstrate the existence of unusual circumstances that would make the expectation of parental support unreasonable. The Higher Education Act allows an aid administrator to make dependency overrides on a case-by-case basis for students with unusual circumstances. If the administrator determines that an override is appropriate, he or she must write a statement detailing the determination and must include the statement and supporting documentation in the student's file. (See Dear Colleague Letter GEN-22-15).

However, none of the conditions listed below, singly or in combination, qualify as unusual circumstances meriting a dependency override:

1. Parents refuse to contribute to the student's education;
2. Parents are unwilling to provide information on the FAFSA or for verification;
3. Parents do not claim the student as a dependent for income tax purposes; or
4. Student demonstrates total self-sufficiency.

The FAFSA Simplification Act incorporated additional unusual circumstances to consider when a student is unable to contact a parent or where contact with parents poses a risk to the student. Parental abandonment or estrangement, student or parental incarceration, human trafficking, or legally granted refugee or asylum status may warrant a dependency override based on the student's individual circumstances. These conditions would also not disqualify a student from being a homeless unaccompanied youth or self-supporting and at risk of homelessness. Generally, the documentation of unusual circumstances should come from a third party who knows the student's situation (such as a teacher, social worker or a member of the clergy), but in cases where this is not available, the school can accept a signed and dated statement from the student detailing the unusual circumstances. A documented interview between the student and the financial aid administrator is also acceptable. Submission of a court order or official federal or state documentation is reasonable documentation to request if the student or student's parents or legal guardians are incarcerated.

Effective in the 2023-24 award year, any student determined to be independent because of a dependency override is presumed to be independent for each subsequent award year at the same institution unless the student indicates a change in circumstances or conflicting information exists. Financial aid administrators are permitted to accept another college's financial aid administrator's professional judgment determination that a student is independent in the same or prior award year.

Possible requests for documentation: Personal statement from student explaining: (1) the nature of the relationship with the parents, (2) the location of parents and when the student last had contact with them, (3) why the student cannot obtain information and/or support from their parents, and (4) how the student has been supporting himself or herself; statements from appropriate third parties; copies of recent federal tax returns; other relevant documentation.

Possible Implementation:

- (1) Evaluate information submitted to determine whether the student should be considered independent based on unusual circumstances.

Parental Refusal to Provide Financial Support

Reason: To address on a case-by-case basis a student whose parents refuse to provide financial aid application information or to provide financial support.

Financial aid administrators are allowed to use professional judgment to offer additional Direct Unsubsidized Loans to dependent students whose parents do not support them or refuse to complete a FAFSA. This is not a dependency override. The student remains dependent and is only eligible for unsubsidized loans at the regular dependent undergraduate loan limits.

Possible requests for documentation:

- Signed statement from student describing: (1) nature of their relationship with the parents; (2) location of both parents and when student last had contact with them; (3) why student cannot obtain information and/or support from their parents; and (4) how student has been supporting himself or herself financially.
- Letter from parent stating he or she: (1) has stopped providing financial support to student (including the date when the financial support stopped); (2) will not provide financial support in the future; or (3) refuses to complete the parental section of a FAFSA.
- If the student is unable to obtain a letter from their parent, provide a letter from a responsible adult who is aware of student's situation and can describe the nature of their relationship with the parents.

Possible Implementation:

Evaluate information submitted to determine whether the student meets the above criteria and, if so, award Direct Unsubsidized Loan amounts up to applicable dependent student annual loan limit.

Glossary

Adjusted Gross Income (AGI): Gross income minus adjustments to income.

Adjustments: Changes to data elements by a financial aid administrator exercising PJ authority.

Affected individual: Defined by the HEROES Act, an individual who is serving on active duty during a war or other military operation or national emergency; is performing qualifying National Guard duty during a war or other military operation or national emergency; resides or is employed in an area that is declared a disaster area by any federal, state, or local official in connection with a national emergency; or suffered direct economic hardship as a direct result of a war or other military operation or national emergency, as determined by ED.

Central Processing System (CPS): The system used by ED to process the FAFSA, calculate the EFC, match applicant information against several federal databases, and notify the student and the school of the processing results.

Children of Fallen Heroes Scholarship Program (CFHS): A need-based Title IV program under which Federal Pell Grants are provided to qualifying students with a parent or guardian who was a public safety officer and died in the line of duty. At the time of the parent's or guardian's death, the student must have been either less than 24 years of age or enrolled at an institution of higher education. A student must possess a Pell Grant-eligible EFC and will continue to be eligible in subsequent years if the student possesses a Pell Grant-eligible EFC. The eligible student must be provided a full Pell Grant and all other aid must be determined based on a zero EFC. The financial aid administrator must determine and document that a student meets the eligibility criteria for this program.

Cost of attendance (COA): Costs the student is expected to incur during the period of enrollment, including tuition, fees, housing, food, books, course materials, supplies, equipment, transportation, miscellaneous personal expenses, and other items allowed under Section 472 of the HEA. The COA usually is calculated for a full academic year.

Dependency override: A financial aid administrator's documented determination that a student's EFC should be calculated upon only student income, asset, and household information, based on the student's individual circumstances and despite the student not meeting the statutory definition of an independent student. A financial aid administrator must presume any student for whom they have granted a dependency override in any preceding award year to be independent for each subsequent award year unless the student informs the school of a change in their circumstances, or the school has conflicting information.

Dependent: For Title IV purposes, an independent student’s child or spouse—or another person other than a spouse who lives with the student—for whom the student will provide more than 50 percent support during the award year. Alternatively, for a dependent student, a parent’s other children (even if they do not live with the parent) if the parent will provide more than 50 percent support during the award year or the sibling would be considered dependent according to the Title IV definition; other people may be included if they live with the parent, receive more than 50 percent support from the parent and will continue to do so during the award year.

Documentation: The collection and analysis of materials for future reference. The material should be sufficient to allow another individual to recreate a process or procedure.

Expected family contribution (EFC): Estimate of a family’s ability to contribute toward postsecondary educational costs, derived by a formula known as “Federal Methodology.”

FAFSA Simplification Act: The FAFSA Simplification Act was passed as part of the Consolidated Appropriations Act of 2021. It was enacted into law on December 27, 2020, making significant changes to the HEA and the FAFSA.

Federal Direct Student Loan (Direct Loan) Program: The collective name for the Direct Subsidized Loan, Direct Unsubsidized Loan, Direct PLUS, and Direct Consolidation Loan programs. These federal funds are administered by ED and participating schools.

Federal Methodology (FM): A statutory standardized formula for determining a student’s (and family’s) ability to pay for postsecondary education expenses. It is the formula used to calculate an EFC which is used when determining eligibility for the Title IV programs.

Federal Pell Grant Program: A Title IV program for needy postsecondary students who have not yet received a baccalaureate, or for postbaccalaureate students who are enrolled in a teaching certificate or licensing program at an eligible institution.

Financial need: The difference between the institution’s cost of attendance and the family’s ability to pay (i.e., EFC). Ability to pay is represented by the EFC for federal need-based aid and for many state and institutional programs.

Free Application for Federal Student Aid (FAFSA®): The application used to apply for all Title IV aid. The FAFSA collects financial and other information used to calculate the EFC and to confirm a student’s eligibility via various database matches with other federal agencies.

Higher Education Act of 1965 (HEA), as amended: The authorizing legislation for most of the federal student financial assistance programs. Established in 1965 by Congress, Title IV of the HEA authorizes the following programs: Federal Pell Grant, Iraq and Afghanistan Service Grant (IASG), Children of Fallen Heroes Scholarship (CFHS), Teacher Education Assistance for College and Higher Education (TEACH) Grant, Federal Supplemental Educational Opportunity Grant (FSEOG), Federal Work-Study (FWS), Federal Perkins Loan, and Federal Direct Student Loan (Direct Loan). Collectively, these programs are known as the Title IV programs and are administered by ED.

Higher Education Relief Opportunities for Students Act of 2003 (HEROES Act):

Legislation which allows ED to waive statutory and regulatory provisions for “affected individuals” impacted by national emergencies, natural disasters, and certain types of military service.

Income protection allowance (IPA): An allowance within the FM need analysis calculation which serves as a benchmark based on an income level below which a household is assumed to have no discretionary income. It covers essential family expenses and recognizes that such expenses must be met before calculating a contribution for educational expenses. The IPA varies based on the number of people in the household and the number of household members in college.

Independent student: Under section 480(d) of the HEA, a student who:

- Will be 24 years of age by December 31 of the award year;
- Is married;
- Is a graduate or professional student;
- Is currently serving on active duty in the U.S. Armed Forces for purposes other than training;
- Is a veteran of the U.S. Armed Forces;
- Has children who will receive more than half of their support from the student during the award year;
- Has legal dependents other than children or a spouse who will receive more than half of their support from the student during the award year;
- Is or was an orphan, in foster care, or a dependent/ward of the court at any time since turning age 13;
- Is or was an emancipated minor as determined by a court in the student’s state of legal residence;
- Is or was in legal guardianship as determined by a court in the student’s state of legal residence;
- Was an unaccompanied youth who was homeless at any time on or after July 1 preceding the award year, as determined by a high school, school district homeless liaison, or director of an emergency shelter or transitional housing program funded by the U.S. Department of Housing and Urban Development;
- Was homeless or self-supporting and at risk of being homeless at any time on or after July 1 preceding the award year, as determined by the director of a runaway or homeless youth basic center or transitional living program; or
- Is a student for whom a financial aid administrator makes a documented determination of independence by reason of other unusual circumstances.

Individual with a disability: Under the Americans with Disabilities Act (ADA), an individual who has a physical or mental impairment that substantially limits one or more major life activities, who has a record of such an impairment, or who is regarded as having such an impairment.

Institutional Methodology (IM): A formula developed by the College Board, in conjunction with financial aid administrators and economists, to measure a family's ability to contribute toward a student's educational costs. IM is used at the discretion of individual institutions and in addition to FM to offer nonfederal, institutional student financial aid funds (e.g., grants and scholarships).

Institutional Student Information Record (ISIR): The electronic record the school receives as the result of the student listing that school on the FAFSA. If sufficient data is provided to the CPS, when the school receives the ISIR, it should contain information about the student's EFC, verification selection, database matches, and financial aid history.

Iraq and Afghanistan Service Grant (IASG) Program: A non-need-based Title IV grant program from which grants are made to qualifying students with a parent or guardian who died as a result of U.S. military service in Iraq or Afghanistan after September 11, 2001. At the time of the parent's or guardian's death, the student must have been either less than 24 years of age or enrolled at an institution of higher education. If a student is eligible for a Federal Pell Grant, he or she cannot receive an IASG.

Legal guardian: Someone appointed by the court to serve as guardian to a minor under various circumstances. A student who has a legal guardian is not a ward of the court. The legal guardian or surrogate parent cannot act as the parent for the purpose of obtaining Title IV aid and cannot complete and sign the FAFSA.

Need analysis: A system by which an applicant's ability to pay for educational expenses is evaluated and calculated. Need analysis consists of two primary components: (a) determination of an estimate of the applicant's and/or family's ability to contribute to educational expenses; and (b) determination of an accurate estimate of the educational expenses themselves.

Policy: A statement of how a school will handle or address a particular topic.

Procedure: The step or steps a school takes to implement a policy.

Professional judgment (PJ): The authority provided under the HEA for financial aid administrators to exercise discretion and deal with unique circumstances affecting individual students on a case-by-case basis in specific areas of federal student aid administration.

Special circumstance: A condition or situation that differentiates a student from a group of students. Refers to the financial situations that justify an aid administrator adjusting data elements in the COA or EFC calculation. Examples of special circumstances include elementary or secondary school expenses, medical and dental expenses not covered by insurance, unusually high dependent care costs, and the recent unemployment of a family member.

Student Aid Report (SAR): A paper or electronic output document sent to students as a result of the CPS receiving a FAFSA for the student. The CPS computes the official EFC and performs various checks and federal agency matches to confirm certain aspects of the student's eligibility for Title IV funds. The results of the matches and the EFC computation are conveyed on the output document.

Teacher Education Assistance for College and Higher Education (TEACH) Grant Program:

Non-need-based grants for undergraduate and graduate students, provided in exchange for specific future teaching service in designated high-need fields and low-income elementary and secondary schools. If a student does not complete the required teaching service, the grant becomes a Direct Unsubsidized Loan that must be repaid.

Title IV: The section of the HEA pertaining to administration of the federal student financial assistance programs.

U.S. Department of Education (ED): The Cabinet-level department of the United States government with oversight of the programs and funds authorized under the HEA that provide financial assistance to eligible students enrolled in postsecondary educational programs.

Unusual Circumstances: Refer to the conditions that justify an aid administrator making an adjustment to a student's dependency status based on a unique situation (e.g., human trafficking, refugee or asylee status, parental abandonment, incarceration), more commonly referred to as a dependency override.

Resources

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