

Protecting Federal Tax Information (FTI) at Your Institution

Webinar Transcript

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Presentation Transcript

Hello and welcome to our FSA webinar Protecting Federal Tax Information, FTI, at your institution. My name is Casey and I'm your Technical Producer for this event. I would like to remind you under the Live Event Q&A section of your screen, there is a Featured tab. Please be sure to look under this tab for important announcements regarding this webinar. Now please welcome our trainer, Virginia Hagins.

Good morning, everyone. Or good afternoon, depending on where you are. My name is Virginia Hagins and I want to welcome you to the Protecting Federal Tax Information FTI at your institution, the second session of our Better FAFSA, Better Future Training series.

Before we start, I want to share with you the trainings that will be offered during the Summer Training series. Some of the topics I'll be discussing in depth today were mentioned in the Overview and Timeline presentation. As you can see, we have a robust series planned for you this summer. If you are unable to attend a session for any reason, or if you need to review any sessions you previously attended, you may watch the recordings and download materials on the FSA Training Center.

In today's session, we will cover your responsibilities in protecting FTI, break down the Future Act Direct Data Exchange, and cover the consent process for students and parents and the impact of failure to consent and how to protect FTI.

Now let's start off with some basics of federal tax information, or FTI. Beginning with the implementation of the FUTURE Act, the processing year of 24-25, FSA will receive FTI directly from the IRS. Now, FTI is defined as any return or return information received from the IRS or any secondary source which is protected by the confidentiality provisions of the Internal Revenue Code. IRC section 6103.

Now, from a high level, federal tax information falls under the National Institutes of Standards and Technology, Special Publication 800-171, or NIST SP-800-171. Now under that umbrella falls Controlled Unclassified Information, or CUI. Controlled unclassified information is how federal tax information data should be categorized, making it a subcategory of controlled unclassified information. Publication 1075 provides guidance to ensure the policies, practices, controls, and safeguards by recipient agencies, agents, contractors, or subcontractors adequately protect the confidentiality of FTI. Now we will cover more about how federal tax information should be handled later in the presentation. Please note that while schools are not subject to IRS Publication 1075, the tax information security guidelines, we do encourage you to use it as a resource when developing and implementing information security standards as it pertains to federal tax information. Now, a link is posted at the end of this presentation, but don't worry, this session will cover the details on how to and what your responsibility will be when maintaining appropriate receipt, handling, and safeguarding of federal tax information.

Now, as I mentioned earlier, federal tax information, FTI is defined as any tax return or return information received from the Internal Revenue Service, the IRS, or any secondary source which is protected by the confidentiality provisions of the IRC, the Internal Revenue Code, section 6103. According to the IRS Publication 1075, federal tax information consists of tax data elements, such as tax return or information derived from a tax return that is in the Department's possession or control, which is covered by the confidentiality protections of the Internal Revenue Code. Federal tax information received from the US Department of Treasury may only be used for purposes of administering the Federal student aid programs. For example, determining eligibility and repayment obligations for Income Based Repayment Plans under the Federal Direct

Loan Program. As well as determining eligibility for an amount of federal student aid under Title IV of the Higher Education Act. In a few slides, we're going to talk about those specific federal tax information data items. Now, any system which receives federal tax information must meet the safeguard and security requirements. Excuse me, which I will outline later in this presentation. Now I want you to take note of the information at the bottom of this slide. Tax information manually supplied by taxpayers is not considered FTI by the IRS. Rather, it is considered taxpayer provided tax information.

Now, FTI is characterized as Sensitive Personally Identifiable Information, or SPII, and is categorized as confidential by the Internal Revenue Code. It is unlawful to access, view, use, or disclose FTI for any other purpose than intended in accordance with established federal laws, policy, and procedures that are defined in IRC 6103(i)(13) HEA section 483 and 494 and is applicable use restrictions under FERPA and the Privacy Act. IRC 6103 imposes strict confidentiality requirements on current and former officers, employees, agents, and contractors who have or had access to federal tax returns or return information.

The Future Act amended the IRC to permit FSA to receive and use federal tax information for the purposes of determining eligibility for an amount of federal student aid using the FAFSA form and to determine eligibility such as partial financial hardship and repayment obligations for Income Driven Repayment plans or IDR. Now, this authorization provides a method by which the department may receive a taxpayer's FTI directly from the IRS with an individual's approval and consent.

Now all contributors must provide consent in order for federal tax information data to be used. Federal tax information contributors include the applicant, applicant's parents if applicant is a dependent. And the applicant spouse if the applicant is married and does not file joint taxes with their spouse. For example, let's say the applicant is the student. If an applicant, the student, is a dependent, then their parents must give consent to have their information retrieved from the IRS to the FAFSA form. If the applicant is married but does not file a joint tax return with their spouse, then the applicant spouse must also provide consent. Parents and spouses without a Social Security number will be able to get an FSA ID to log into the FAFSA form to give FTI consent and provide an electronic signature. But their information cannot be sent to the IRS because there's no Social Security number to match it to. Therefore, when someone who does not have an

associated Social Security number logs into the online FAFSA form with an FSA ID, they will be asked to provide their individual tax identification number ITIN if they have one. Now, it's also really important to note that an applicant must also provide consent for the Department to use their tax filing status. For example, if an applicant must still consent to have that information shared, as filing status is considered FTI.

Now, as I stated previously, Federal tax information data is used for the FAFSA form and the IDR. For example, On the FAFSA form, Contributor's Federal Tax Information data is used to determine student eligibility for Title IV, State, and institutional programs. Remember, a contributor is an applicant, an applicant's parent if the applicant is a dependent, or an applicant's spouse if the applicant is married and does not file joint taxes with their spouse. The contributor must consent to have their federal tax information data used every year in order to be eligible, since only the Department of Education can collect consent, financial aid administrators will not be able to add consent via FAFSA Partner Portal, FAA Access, or any other method. Now in the case of a borrower applying for Income Driven Repayment or IDR, FTI data is used to apply or recertify the Income Driven Repayment program; a borrower is not required to provide consent. If they do not want to consent, they may provide IRS transcripts, or any kind of alternative documentation of income, or what we call ADOI. Now that could be bank statements, pay stubs, etcetera. Only the Department has the authority to obtain approval and consent for the use of FTI. Other entities are not permitted to obtain consent for FTI in any manner.

Now, starting with award year 2024-25, the Department will receive the following Federal Tax Information data items from the IRS for contributors that fill out the FAFSA form. Tax Year, for example award year 2024-25 is based on 2022 tax year information from the IRS. Tax filing status. Adjusted gross income or AGI. Number of exemptions and number of dependents. Income earned from work. Now, you should note that starting with the 2024-25 FAFSA process, the Income from work question on the FAFSA form will only apply to tax filers. The figure will come from the IRS 1040. In the new SAI calculation, income from work will be used to determine the payroll tax allowance. You'll also have taxes paid. Educational Credits. Untaxed IRS distributions. IRA deductible and payments. Tax exempt Interest. Untaxed Pension Amounts. Schedule C Net Profit or Loss. Indications for Schedules A,B,D,E,F, and H. IRS response code, and I'll talk about this on the next slide. These data items will be

available to institutions, State Higher Education Agencies, and Designated Scholarship Organizations via the Institutional Student Information Record, or what we call the ISIR. You'll learn more about the changes to the ISIR in the ISIR versus ISIR presentation, which will be delivered on June 13th. Federal tax information data items will not be available in FAA Access, nor will federal tax information corrections be permitted through the system. Should FAFSA applicants need to modify their federal tax information, they will need to work with their postsecondary institution to request a professional judgment, since modifications are not permitted. Now, there will be a session on June 15th that will dive deeper into professional judgment.

So let's move on to the IRS response codes that I mentioned. An IRS response code will be generated based on the tax filers or the contributor status with the IRS. Now the IRS response code will be one of the following. Tax filer and FTI provided to Federal tax information, not found at the IRS, Found in a non filer, or found but IRS not able to provide information. Now let me touch on each of these responses just a little bit more. If the IRS has a valid record of the contributors federal tax information. Then the code will be tax filer and federal tax information provided to the Federal Tax Information Module, or what we call the FTIM. The IRS does not have a record of tax return transcript submission, then the code will be not found at the IRS. Should the contributors demographic information be present from the previous year but missing the submission of the current record of tax, then the code will be found and a non filer. If the contributor has been flagged by the IRS, possibly due to identity theft or a breach of some sort, their IRS response code will be IRS unable to provide information. Now, on very rare occasions, a contributor may be required to manually enter federal tax information. The manually entered data would be used in the student aid index or SAI calculation. The FAFSA processing system determines whether a user is required to manually provide FTI data, typically based on the IRS response code, for example, not found at the IRS. Now you'll learn more about the SAI calculation in the June 22nd and 27th sessions on the Student Aid Index.

So now that we have an understanding of federal tax information, let's talk about the program that will allow the data to exchange from the IRS to FSA.

Now, you may remember that during the 2009-2010 award year, FSA worked with the IRS to create the data retrieval tool, the DRT. Now, this tool allowed students and parents to import their tax return data from the IRS into the FAFSA form, as permitted

by Section 483 of the Title IV of the Higher Education Act. The DRT did not transfer data directly from the IRS to FSA. Rather, it permitted taxpayers to retrieve their data from the IRS and transfer it to FSA. Once the tax return data was transferred into the FAFSA form by the taxpayer, it was then considered FAFSA data for purposes of data use restrictions under the Higher Education Act. Now, we're pretty excited to share that the FUTURE Act is going to allow for a more seamless transfer of data directly from the IRS to FSA. And the 2023-24 award year will be the last time that the DRT will be used. In its place will be the FUTURE Act Direct Data Exchange. Now the FUTURE Act Direct Data Exchange is a computer matching program. The FUTURE Act amended the Internal Revenue Code to permit the disclosure of federal tax information for the purposes of determining an applicant's eligibility for an amount of federal student aid and to further provide a method by which the Department may receive a taxpayer's federal tax information directly from the IRS with an individual's approval and consent. This enables the department to receive federal tax information directly from the IRS through the computer matching program. FUTURE Act Direct Data Exchange or FADDX. Now this direct exchange means that FSA will directly receive IRS data which is protected by the more stringent confidentiality and non-disclosure provisions of the IRC or Internal Revenue Code.

So it's important for you to understand from a very high level how a contributor's federal tax information is processed. First, you start with the retrieval of the contributor's data from the IRS. Now remember this occurs through the FUTURE ACT direct data exchange program into the FAFSA process system or FPS. It's important to note that the FPS will replace the Central Processing System or CPS. The Student Aid Index uses both the federal tax information and the FAFSA processing system data provided by the contributors on the FAFSA. With the approval and consent of the contributors, federal tax information data will be available to institutions, state higher education agencies, and designated scholarship organizations via the ISIR. Remember, the contributor is the applicant and applicant's parents if the applicant is a dependent, and the applicant's spouse if the applicant is married and filed taxes jointly. Also another reminder, FTI data is not available in the FAFSA Partner Portal or FAA Access.

Now, as I stated before, there will be a session on June 13th that will provide a deeper look into the changes being made on the ISIR, but it's important for you to understand how federal tax information data will appear on the ISIR. Starting with the 2024-25

FAFSA cycle, the ISIR will have blocks of data that are for specific purposes related to federal tax information. The FTI block on the ISIR will include four subgroups: Student, Student's Spouse, Parent, and Other Parent. Federal tax information about a student's parents is virtually identical to that of the student. It's also important to not that the subgroup Parent 2 will be replaced by the subgroup Other Parent. Now this is a sample ISIR record layout in excel format. And I want you to look at the top. There is the student FTI subgroup and below that are some federal tax information data items. This is only a very small portion of the ISIR record as the document is quite long, but you're welcome to view it in its entirety by clicking on the link as shown on this slide. So make sure you download this presentation. We will also add it to the chat. In addition to the FTI data items, you'll notice in the third line of the record there is a line that states FTI Label Start and under Valid Content Exact String CUI Slash slash SP DASH Tax. Remember that at the start of the presentation I shared, the federal tax information is categorized as Controlled Unclassified Information. This means it must be marked accordingly. Now, I'll go into more details later, but wanted to draw your attention to it as it shows up on the ISIR.

Another change is the creation of the FTI Student Aid Internet Gateway SAIG mailbox. So, as you are probably already aware, the Student Aid Internet Gateway, or SAIG, is a tool that allows federal student aid partners to securely exchange batch data with federal student aid application systems. That includes FAFSA data and federal tax information. The SAIG agreements have not been released as of yet, but there is a targeted release in fall of 2023 and both the Destination Point Administrator, the DPA, and the President or CEO will need to complete the agreements prior to the launch of the 2024-25 FAFSA. In order to receive ISIR data for 2024-25 and beyond, schools will need to install the upgraded SAIG software. Now the new SAIG software can be used to access ISIRs for all award years, not just 2024-25 award year. To help ensure the protection of FTI data, the upgraded system will include increased security for authentication of FTI SAIG authorized users. There are also new versions of EDconnect, TD Client, and TD Community Manager TDCM set to be released in Fall 2023. Now, there will be additional information for software users published in an electronic announcement in the very near future.

So how can you best prepare for the SAIG mailbox? You should start by ensuring the appropriate leadership teams are informed of the requirements to enroll for an FTI SAIG

mailbox, sign the updated SAIG agreement, and understand that upgraded software will need to be installed. There was an electronic announcement released May 30th on this and additional guidance and communication from the Department will be released in the future.

Now that we have a clearer understanding of what federal tax information is and how it will be used, let's discuss how federal tax information data is consented.

A FAFSA applicant, including parent or spouse, must consent to the use of their federal tax information by an authorized person, in this case ED official, for the purposes of application, award and administration of federal student financial aid. Once provided, consent is for the entire FAFSA cycle or the award year. And the consent automatically authorized redisclosure of their FTI to institutions of higher education, State higher education agencies, and designated scholarship organizations for purposes of application, award and administration of aid awarded by those entities. Now, we've emphasized that applicants and contributors must provide consent to the entities and organizations that I mentioned. But we have not yet covered which entity can obtain the consent. Excuse me. So only the US Department of Education has the authority to obtain consent from applicants and contributors for the use and disclosure of FTI by ED, IHEs, State Higher Education agencies, and scholarship organizations designated by the Secretary of Education. But now what happens if an applicant wants to disclose the FTI data on the FAFSA Submission Summary, formerly known as the Student Aid Report, to another organization that we have not listed. For the purposes of application, award, and administration of student financial aid. I want to draw your attention to the note at the bottom of the slide. FTI shall not be shared with any other entity without explicit written consent of Applicant unless is permitted under IRC 6103(i)(13)(D).

Excuse me, now what does this mean? This means schools must obtain written consent for the disclosure of FTI, including other FAFSA data, to another organization entity, for example a scholarship organization, at the request of the applicant.

The consent process for the Department to use and disclose federal tax information by the IRS must be completed annually by contributors when completing the FAFSA form. In order to consent contributors, now remember our contributors include parents or spouse, must agree to 1) The Department's use and disclosure of their information, for example, name and Social Security number, to match with the IRS. Two, the disclosure of their FTI information by the IRS to the Department. Three the use of their information

by a department official to determine an applicant's eligibility for federal student aid and the amount for which they are eligible. And 4) the redisclosure of FTI by the Department to an eligible institution, state higher education agency or a designated scholarship organization such as institutional or state financial aid. Now, I've said this before, and I'm going to say it again, the Department is the only entity with the authority to obtain approval and consent for the use and disclosure of FTI for such purposes.

So I also briefly mentioned this before. But it's really important that this is understood. Once federal tax information consent has been given, it cannot be revoked for that FAFSA cycle. Now this is different from FTI consent for IDR which can be revoked and you can refer back to slide 12 for more details on this.

For very limited circumstances, federal tax information can be corrected. Those circumstances are when there's a conflict between, say, marital status and tax filing status, where the tax filing status includes two taxpayers. But the FAFSA only includes one now. As an example, the student is currently single, but filed a joint return two years ago. Or they're married to a different spouse than the one they filed a joint tax return with. Corrections can be made if the IRS is unable to provide usable FTI. Now this can occur when an account has been flagged for identity issues or the data at the IRS is compromised. Now, in both cases, the correction will create a new transaction. This is done through the Professional judgment or PJ process, which permits the correction and will create a new transaction record with updated taxpayer provided information. And you're going to learn more about the Professional Judgment process in the June 16th Professional Judgment, Dependency Status and Verification Session.

Now, it is unlawful to access if you use or disclose without the express written consent of the applicant FTI for any other purposes than intended in accordance with federal laws, policies and procedures. Therefore, it's important to understand when it is appropriate to disclose FTI of a contributor.

So at a high level, the use and disclosure of FAFSA data is generally dictated or governed by the most restrictive statutory and regulatory provisions. These include the provisions of section 444 of the General Education Provisions Act, commonly known as the Family Educational Rights and Privacy Act of 1974, or FERPA. The Higher Education Act as amended, especially section 483. And lastly and most recently, Section 103 of the Internal Revenue Code. Federal tax information data while FAFSA

data is most restrictive under the IRC and may only be used for purposes outlined in Section 6103(i) 13. The remaining FAFSA data and their respective use and disclosure may be used and redisclosure specific to FERPA, HEA and Privacy Act provisions. Now I want you to refer to the Department's May 12th, 2023 Electronic Announcement. So write that down. May 12th, 2023 Electronic Announcement, Access and Use of Federal Tax Information for Federal Student Aid Programs beginning with the 2024-25 FAFSA Processing Cycle. You want to see the Knowledge Center for more information on that. The Department plans to release future announcements expanding on FAFSA data use and disclosure, including use cases and other scenarios.

Now this slide shows the differences between FAFSA data and FTI. So FAFSA data includes all data and information that is collected via the FAFSA form from any Contributor, Student, Student Spouse, Parent, Other Parent. This includes information like Personally Identifiable Information, PII, like name, date of birth, address, etcetera. It also includes information used to assess a student's dependency status, other financial information that is not directly provided by the IRS, also known as non FTI data, and the list of colleges this student would like to send their data for purposes of aid determination. Derived FAFSA data includes data such as the Expected Family Contribution, EFC, or our student aid indexes SAI that'll be happening. And federal Pell Grant eligibility status. Generally, institutions and states may only use FAFSA data solely for the applicant packaging and administration of financial aid to the applicant, including state and institutional aid. Now while FTI data is FAFSA data, FTI data is governed by the IRC. Which is the most restrictive provision and thus it may not be treated the same way as other FAFSA data. FTI data may only be used to determine eligibility for, and the amount of federal financial aid, and redisclosure to institutions of higher education, state higher education agencies, and designated scholarship organizations in order to determine a student's eligibility for institutional, state, or scholarship aid. It may not be used for any other purposes, for instance, while other FAFSA data may be used for research purposes as permitted under the FAFSA Simplification Act, FTI data may not be redisclosed or used for such purposes of research. The IRS response codes are also considered FTI. Again they include tax filer and FTI provided information to FTIM, not found at the IRS, found as a non filer, found but IRS not able to provide information. To explain further, the existence or non existence of FTI data means that the department has received or not received a FAFSA

contributor's FTI from the IRS. Yeah, it's really important for you to note the distinction between FTI provided in 2024-25 and taxpayer provided information, which includes tax information provided via the IRS DRT and manually provided information. Now this information will be treated differently and its use and disclosure requirements are different. Again, FTI provided directly from the IRS is most restricted under the IRC and taxpayer provided information is considered FAFSA data and may be used in accordance with the FERPA, HEA and the Privacy Act.

So the next couple of slides have some Q&As that hopefully will help you with any future issues you might run across. So our first case, can FAFSA data including FTI be redisclosed to a student? The answer is yes. All the contributor on the student's complete unredacted FAFSA Submission Summary, FSS, formerly known as the SAR or student aid report, including any return information, may be redisclosed to the student.

Another case. Can FAFSA data, including FTI, be redisclosed to a scholarship granting organization of the student's choosing? Yes. The information in a complete, unredacted FAFSA submission summary, FSS, including any return information, may be redisclosed to a scholarship granting organization or another organization of the student's choosing if the organization will assist them in applying for and reviewing federal, state, local, or tribal assistance for any component of their cost of attendance. Now the redisclosure may only occur with the student's express written consent.

So our second case, can FAFSA data, including FTI, be used for research. The answer: Institutions and state higher education agencies may use FAFSA data, excluding FTI information, for research that does not release individually identifiable information, PII, on any applicant for purposes of promoting college attendance and completion. I also want to add that if you're wondering if you can release FAFSA data to other internal or external stakeholders for such research efforts, the disclosures must be in line with other statutory provisions of HEA, FERPA, Privacy Act. And the department will be releasing forthcoming guidance to help institutions comply with such uses and redisclosures.

And now case 3. Can institutions or state higher education agencies share and/or disclose FAFSA data, including FTI, with their contractors? And the answer is yes. FAFSA data including FTI may be further disclosed to contractors, but only to the extent

necessary in carrying out the application, award and administration of Title IV aid awarded by federal, institutional, state, or designated scholarship organizations. The disclosure of FTI for these purposes is permitted under 26 U.S.C 6103(l)(13)(D)(iv). Keep in mind that more information, including guidance and use cases, are forthcoming by the Department.

So at the start of the session, I defined federal tax information as any tax return or return information received from the IRS or any secondary source which is protected by the confidentiality provision, confidentiality provisions of the Internal Revenue Code. I also shared that federal tax information may only be used for purposes of administering the federal student aid programs, such as the determining eligibility for or repayment obligations under, Income Based Repayment plans under the Federal Direct Loan Program, determining eligibility for an amount of federal student aid under Title IV of the Higher Education Act. Excuse me. So now it's time to discuss how to protect federal tax information.

Federal tax information can only be accessed by authorized personnel for specific purposes. So let's start by defining who is considered an authorized person. According to the Internal Revenue Code 6103, an authorized person would be a Department of ED officer, employee, or contractor specifically authorized and designated by the Secretary for purposes of applications and recertifications for Income Driven Repayment, discharge of loans based on total and permanent disability, and to determine eligibility for federal student financial aid. The purpose of the authorized person provision is for ED's ability to use federal tax information to calculate eligibility for the programs I mentioned. Remember that I shared earlier how the federal tax information data is processed and that with the approval and consent of the contributors, federal tax information data is made available to institutions, state higher education agencies, and designated scholarship organizations via the ISIR. So access to FTI carries significant responsibility and due diligence because the data are classified as controlled unclassified information or CUI. And they also carry the Internal Revenue Code civil criminal penalties for unauthorized inspection or viewing and disclosure of FTI data.

I briefly touched on the fact that federal tax information is considered controlled unclassified information. Yeah, controlled unclassified information is information that requires safeguarding or dissemination controls pursuant to and consistent with applicable law, regulations and government wide policies. But let's dive just a little bit

deeper into that. First of all, it's important to understand the controlled unclassified information is different than classified information. It's also important that you know that controlled unclassified information contains sensitive Personally Identifiable Information, or PII. Now, I know you're familiar with PII, but it's important to understand that federal tax information brings its own set of requirements, which I'll show you in the next few slides.

Now, earlier I shared that you are not subject to IRS Publication 1075. However, it is a great resource to use and you are strongly encouraged to use it as you develop and implement information security standards as it pertains to FTI. For institutions of higher education, IHEs, and 3rd party servicers, TPSs, the Guidelines for Safeguarding FTI fall under NIST Special Publication 800-171 Protecting Controlled Unclassified Information in Nonfederal Systems and Organizations. We've already established that redisclosure FTI considered controlled unclassified information, or CUI. Now CUI requires appropriate markings and specific procedures for receipt and handling of sensitive data. IHEs, and TPSs must follow these requirements. At minimum, you must apply the appropriate Controlled Unclassified Information markings on any Federal Tax Information data. IRC 6103 is what allows FTI to be redisclosed to IHEs, state higher education agencies and designated contractors acting on their behalf, as well as scholarship organizations. If violated, in a worst case scenario, the IRS could undertake criminal enforcement actions against personnel whom the IRS finds to have inappropriately used or redisclosed FTI. Now, this includes institutions of higher education and their third party servicers if applicable. So we'll talk more about the risk of misusing federal tax information.

Umm, I previously mentioned the federal tax information must maintain controlled unclassified information marking. So now I want to discuss what is meant by that. First, the Controlled Unclassified Information marking should be present wherever Federal tax information data is stored. The markings must also be present when Federal Tax Information is inspected or used in any way. You will likely see federal tax information most often on the ISIR. So if you recall that earlier, I showed you an example of an ISIR. I highlighted the CUI marking on the form, but let's take a look at it again. But before we do, I want to stress to you that federal tax information data fields on the ISIR will most often have an FTI label at the start of the FTI data and at the end of the FTI data. Now, however, CUI markings can accompany individual federal tax information data

elements. So let's take a look at the controlled, unclassified information in the ISIR again, but this time let's take a little closer look.

Now I want to point out to you that this is not a full screen shot of the ISIR in its entirety. It's a little bit too long to properly show on a PowerPoint slide. So it's been cut down a little bit to make sure that you get a sense of the federal tax information data items. But most importantly, I want you to see the controlled unclassified labels that are present in the document. I want to remind you what I shared in the previous slide regarding the proper way to label Federal tax information data items. Now remember on the ISIR the CUI, SP-tax label will be in two data fields. One at the FTI label start and the other the FTI label end. So take a look at the top of the document. Notice that at the start of the student FTI section. Before you get to any Federal tax information data items, there's an FTI label that contains the CUI SP-tax controlled unclassified label. Next, if we draw our attention toward the bottom of the document after the last of the federal tax information data is listed, there's another FTI label. This one is title FTI label end and the label is the CUI/SP-tax which again is a controlled unclassified label.

So what responsibility do you have when it comes to federal tax information, and who should have access to it, and how should it be safeguarded in your systems? To start, individual schools must read and sign the new SAIG enrollment agreement, set to be released this fall. Then you must enroll in the FTI SAIG mailbox and install the SAIG software. In addition, you have to always maintain the Controlled Unclassified Markings on any Federal Tax Information Data items. It is unlawful to access, view, use, or disclose without the express written consent of the applicant, Federal tax information for any other purposes than those authorized by federal law. It's really important that you keep that in mind when it comes to who should have access to federal tax information, and I can't stress enough that access must be restricted to only those who have an official need under the title for HEA programs and other financial aid programs offered by our partners. Schools are expected to maintain appropriate receipt, handling, marking and safeguarding of CUI data. Since Federal tax information is a subcategory of CUI. You are also expected to establish and maintain appropriate cyber security safeguards that ensure the security and confidentiality of student information, protect against anticipated threats or hazards to the security or integrity of such information, and protect against unauthorized access to or use of such information that could result in substantial harm or inconvenience to any student.

And here comes the scary part. Failure to comply with the regulations or any unlawful access to view, use, or disclosure of federal tax information is a violation of Internal Revenue Code. FTI data received via an ISIR is also considered federal tax information data and therefore is subject to the same penalties if violated. Penalties could include criminal and civil penalties and could result in the termination of Title IV participation. These penalties also apply to a partner's third party servicer.

So here you see some resources that we have. I have mentioned several of these previously. Make sure you download the presentation and you'll be able to click on those links to see those resources. I want to make sure I point out that top one, 2024-25 FAFSA Specifications Guide volume four that has all the record layouts because we didn't have a lot of time to go through them specifically. So make sure you check those out.

So I'm pretty sure you guys are already aware of the Knowledge Center and how it offers links to the laws, regulations, guidance related to Title IV aid administration including the Handbook, Electronic Announcements and Dear Colleague letters. And the best thing to do is make sure you subscribe to receive our e-mail updates, either on a daily or a weekly basis. Our next webinar, ISIR versus ISIR is scheduled for Tuesday, June 13th.

Now we've covered a lot of information here and now it's going to be time for the Q&A. But before the Q&A, I want to take a moment to ask that you complete our two-minute survey on today's session. Your feedback is really important to us. So take out your smartphone cameras, use the QR code here or you can use the link that we have below that. Just remember, your input is going to help us ensure quality training. It informs FSA of areas for improvement, and it serves as an effective tool for listening to our school partners.

Q&A Transcript

Now I'm going to hand this over to Maisha, who's going to start our Q&A portion.
Maisha.

Thank you so much, Virginia. That was a lot of great information regarding FTI that I know a lot of people had questions about. So let's go over some of your questions.

Q1: If a student was married and filed jointly in 2022, but now for the 24-25 FAFSA cycle is separated in divorce and or divorced, how is the correct tax information submitted?

A1: Sure. I'm gonna attempt to answer a couple of the questions that came in related to that. So if as of the date the student completes the 24-25 FAFSA form, the student is either separated or divorced, but their tax filing status for 2022 was married filed jointly, they are actually going to be prompted to enter their financial information manually. This is because there's no way for the department to separate the FTI that is received from the IRS to only account for the student's portion of their 2022 taxes which were at the time filed jointly with their former spouse. So additionally, because they indicated that their marital status is separated or divorced, their former spouse will not be required to provide consent on their 24-25 FAFSA because of their current marital status. This would also apply to a dependent student's parent who is a contributor on the 24-25 FAFSA form. So very similar workflow for the parents for manually entering their information if they are now separated or divorced. If this student is married as of the date they complete the 24-25 FAFSA, they will need to contact their institution's financial aid office in order to request a professional judgment. Again that's just if when the student completes the FAFSA they are still married, then that is when they will need to request a professional judgment and ask their financial aid administrator to subsequently make changes and to manually update their financial information under professional judgment.

Q2: Can FAFSA data and FTI be shared with states for the purpose of making state grant and scholarship awards?

A2: So the quick answer to that question is yes. So the statutory provisions that amended the Internal Revenue Code under the FUTURE Act not only provided the ability for faster data and FTI to be redisclosed to institutions, but it also provided it to be disclosed to state higher education agencies and so most of our agencies, state agencies are signed up and will have to renew their SAIG mailboxes similar to the schools in order to continue receiving you know that that FAFSA data with FTI moving forward into 24-25.

Q3: Will there be any option for a parent or stepparent or I'm sorry, will there be any option for a parent or spouse to give consent via a paper signature page instead of

signing in with an FSA ID, similar to how parents can currently fill out a signature page to submit the FAFSA now?

A3: Yeah. So that's another great question. The answer to that question is yes. So the consent will look slightly different with the online experience versus the paper form, but an applicant or their contributors, their parents or their spouse will be able to provide consent on the paper FAFSA form. **Note:** Either all parties can fill out a paper FAFSA form *or* the student can use the online process and provide the paper FAFSA Submission Summary to the contributor who would then sign it and mail it in.

Q4: What does the school need to do to provide federal aid if the parent or step parent, and this is a key one, will not provide consent?

A4: Schools cannot provide Title IV aid if an applicant does not provide consent. Therefore, schools should encourage applicants and other contributors to provide consent.

Q5: Will FAA administrators be able to make corrections on FAA Access and view the tax information.

A5: Yes, FAAs can both view the FTI as listed on the ISIR and if they choose to perform a professional judgment, can manually adjust the financial data fields that are used in the SAI calculation. Note: FAAs can view the FTI as listed on the ISIR. FAAs may use FAA Access (FAFSA Partner Portal) if they choose to perform a professional judgment to manually change the financial data fields that are used in the SAI calculation.

Q6: Will a school need to update their Internet gateway software if they use a third party servicer which is how they view their ISIR now?

A6: So if we take a look back on Slide 20 of this presentation, we could see that in order to receive ISIRs for 2024-25 and beyond, schools will need to install the upgraded SAIG software. So in the case of this question, both the school and the third party servicer should install the upgraded SAIG software. This will ensure that both you and the servicer are properly protecting FTI data.

Q7: Can we start the FTI consent process right now? Is there a list of items we need to address?

A7: So I think we covered this in the in the presentation at least on a few different occasions. So the FTI consent process is the responsibility of the Department in order

to obtain. I think with the question is referring to is the express written consent which we referred to and that refers to the redisclosure of FAFSA data or FTI data, for instance to a scholarship organization. Which the school or the, you know, the institution would need to obtain in order to redisclosure that information to that scholarship organization or another organization assisting the student with regard to aid for any component of their cost of attendance.

Q8: Here's one more question for you. Can the applicant provide explicit written consent to provide information to another entity that covers the applicant's parent or spouse? Or does each provider of FTI need to provide separate consent for this kind of disclosure?

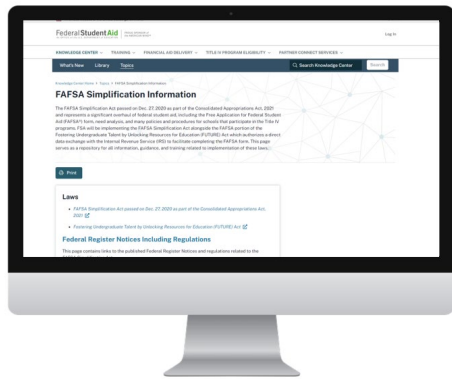
A8: Yeah. So that's a great question. So to answer that question, the applicants, the FAFSA applicant is the sole owner of the information that is provided on the application. So if they request the application or the information contained there, be redisclosed to another entity like for instance the scholarship organization, it would just be the student that needs to have the express written consent provided for the redisclosure.

Q9: If we create internal documents that summarize FAFSA information for ease of review and that summary includes FTI information, must those internal documents contain the CUI label?

A9: Yeah. So that's another great question. The answer to that question is yes. Anytime that FTI, whether it is electronically stored in the system, may be accessed through your student information system for instance, like Banner, or it is printed, it must contain the CUI// SP-tax designations to ensure that the information that is being accessed by the individual who needs access to it is aware that they are viewing FTI that is that is protected under the Internal Revenue Code.

We're gonna turn it back over to Virginia to conclude our webinar.

Well, hi, everybody. If you have questions that were not answered today or think of one after the session, you can visit the FSA Training Center to submit additional questions now. We will address as many submitted questions as possible during our Q&A webinars on June 20th and July 13th. Please plan to attend those webinars because you can also submit questions live during those sessions. And now that you've completed this training about protecting federal tax information at your institution, we encourage you to visit the FSA Training Center to download this badge. You may include it in your e-mail signature if you desire. Thank you so much for joining us today.



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