

## MEMORANDUM

To: Interested Parties  
From: The Institute for College Access & Success (TICAS)  
Re: Recommendations for Eliminating Specific FAFSA Questions to Further Simplify the Federal Student Aid Application Process  
Date: June 29, 2015

In a previous memo, we explained how to dramatically and immediately [simplify the aid application process](#) for millions of students and families, even while retaining the current number of questions on the Free Application for Federal Student Aid (FAFSA). In this memo, we outline how to *further* simplify the process by eliminating 20 burdensome FAFSA questions. We also address the importance of retaining and/or clarifying certain other FAFSA elements.

### Eliminate 20 FAFSA Questions

We recommend removing a total of 20 questions from the FAFSA: 19 financial questions and one non-financial question. For the financial questions, it is essential that a distributional analysis first be conducted to assess how removing each question would affect key categories of FAFSA applicants, to avoid harmful reductions in aid for low-income students or other unintended effects.

These burdensome financial questions cannot be automatically answered using Internal Revenue Service (IRS) data and require students to collect detailed financial information from multiple sources. They include the 17 data elements that the Obama Administration [proposed](#) eliminating in 2009 (see Table A1) plus two more. Available analyses indicate that drawing income information solely from IRS data would have little or no effect on aid eligibility for most students.<sup>1</sup>

In the list below, if the same question is asked of both students and parents, we count it as only one question. All references to FAFSA question numbers are from the [2015-16 FAFSA](#) (please refer to the FAFSA for the exact wording of each question).

#### **Financial Questions Identified for Removal in the Administration's 2009 Proposal (17)**

- *Parent 1's income from work* (Question 88)
- *Parent 2's income from work* (Question 89)
- *Student's income from work* (Question 39)
- *Spouse's income from work* (Question 40)
- *Taxable earnings from need-based employment programs* (Questions 44c and 93c)
- *Current balance of cash, savings, and checking accounts* (Questions 41 and 90)
- *Net worth of investments and real estate* (Questions 42 and 91)
- *Net worth of businesses and investment farms* (Questions 43 and 92)
- *Taxable combat pay* (Questions 44e and 93e)

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<sup>1</sup> See, for example: Dynarski, Susan and Mark Wiederspan. 2015. *Revisiting FAFSA Simplification: Expanding Access to the IRS Data Retrieval Tool*. Education Policy Initiative Policy Brief. <http://bit.ly/1djsuil>. Dynarski, Susan and Mark Wiederspan. 2012. *Student Aid Simplification: Looking Back and Looking Ahead*. National Bureau of Economic Research Working Paper 17834. <http://www.nber.org/papers/w17834>.

- *Living allowances paid to members of the military, clergy, and others* (Questions 45g and 94g)
- *Other untaxed income, such as workers' compensation and disability* (Questions 45i and 94i)
- *Child support received* (Questions 45c and 94c)
- *Child support paid* (Questions 44b and 93b)
- *Payments to tax-deferred pension and retirement savings plans* (Questions 45a and 94a)
- *Grant and scholarship aid included in adjusted gross income (AGI)* (Questions 44d and 93d)
- *Veterans' non-education benefits* (Questions 45h and 94h)
- *Other money received or paid on the student's behalf* (Question 45j)

### **Additional Financial Questions Recommended for Removal (2)**

- *Earnings from work under a cooperative education program offered by a college* (Questions 44f and 93f).
  - This is similar to several other financial elements listed above, which are unavailable from IRS data and eliminated in the Administration's 2009 proposal (e.g., child support paid, taxable earnings from need-based employment, grant and scholarship aid included in AGI, and taxable combat pay).
- *Eligibility to file a 1040A or 1040EZ form, if applicants filed or plan to file a 1040* (Questions 35 and 83).
  - This question is confusing and difficult for students and families to answer, as illustrated by the complicated instructions on the 2015-16 FAFSA<sup>2</sup> and the IRS website.<sup>3</sup> For example, someone may be "eligible" to use the shorter 1040A or 1040EZ forms but be required to file a full 1040 form to claim certain tax credits. If this question is not removed, we recommend exploring the possibility of revising it so that it can at least be answered with IRS data.
  - This burdensome question is currently used to determine whether students and parents have to answer the FAFSA's asset questions. If asset questions are eliminated from the FAFSA, as we and the Administration's 2009 proposal recommend, this purpose will be rendered obsolete.
  - This question is also one of several currently used to assess eligibility for an automatic-zero expected family contribution (EFC), but even those who answer "yes" must still meet an income test. Given the complexity involved in determining whether applicants were eligible to file a 1040A/EZ and the existence of other criteria for determining an automatic-zero EFC, this question is not necessary for this purpose.

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<sup>2</sup> The 2015-16 FAFSA includes the following notes for questions 35 and 83: "In general, a person is eligible to file a 1040A or 1040EZ if he or she makes less than \$100,000, does not itemize deductions, does not receive income from his or her own business or farm and does not receive alimony. A person is not eligible to file a 1040A or 1040EZ if he or she makes \$100,000 or more, itemizes deductions, receives income from his or her own business or farm, is self-employed, receives alimony or is required to file Schedule D for capital gains. If you filed a 1040 only to claim the American Opportunity Tax Credit or Lifetime Learning Tax Credit, and you would have otherwise been eligible to file a 1040A or 1040EZ, answer "Yes" to this question. If you filed a 1040 and were not required to file a tax return, answer 'Yes' to this question." <https://fafsa.ed.gov/fotw1516/pdf/PdfFafsa15-16.pdf>.

<sup>3</sup> Internal Revenue Service (IRS). "Topic 352 – Which Form – 1040, 1040A or 1040EZ?" <http://www.irs.gov/taxtopics/tc352.html>.

## Non-Financial Question Recommended for Removal (1)

- *Have you been convicted for the possession or sale of illegal drugs for an offense that occurred while you were receiving federal student aid (such as grants, loans, or work-study)?* (Question 23)
  - This question is irrelevant to determining financial need and may deter eligible students from applying for aid. It adds substantial complexity by requiring those who answer “yes” to complete a detailed worksheet to determine if and when they will be eligible to receive aid. By blocking access to aid for pursuing education and training, it also exacerbates the already inequitable effects of disproportionate drug arrests and convictions among racial and ethnic minority populations, relative to the prevalence of drug use.<sup>4</sup> Additionally, the Government Accountability Office (GAO) was unable to find evidence that this penalty has actually helped deter drug use<sup>5</sup> and a recent study found no evidence of a deterrent effect on drug crimes.<sup>6</sup>
  - The Task Force on Federal Regulation of Higher Education, Advisory Committee on Student Financial Assistance, and National Association of Student Financial Aid Administrators (NASFAA) have called for removing this question,<sup>7</sup> along with more than 400 diverse organizations.<sup>8</sup>

## Retain the Current FAFSA Questions on Household Size, Marital Status, Dependency Status, and Number of Students in Household

We recommend retaining the existing FAFSA questions on household size, marital status, dependency status, and number of college students in the household, which can substantially affect how much aid for which a student qualifies. While we generally support better aligning the information required by the FAFSA with government data that are already available, there are serious limitations to the potential alternative data elements available from IRS, as illustrated by the selected examples below.

- The FAFSA asks, “How many people are in your [or your parents’] household?” (Questions 73 and 95) and provides a clear and relatively simple explanation of whom to include. There is no equivalent measure of household size in IRS data. In particular, the IRS rules for claiming [exemptions](#) are much more restrictive and complex, excluding many circumstances that are

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<sup>4</sup> See, for example: American Civil Liberties Union (ACLU). 2013. *The War on Marijuana in Black and White: Billions of dollars Wasted on Racially Biased Arrests*. <http://bit.ly/1HrVTmc>. See also: Fellner, Jamie. 2009. “Race, Drugs, and Law Enforcement in the United States.” *Stanford Law & Policy Review*. Vol. 20. <http://bit.ly/1q6yLxB>.

<sup>5</sup> Government Accountability Office. 2005. *Drug Offenders: Various Factors May Limit the Impacts of Federal Laws that Provide for Denial of Selected Benefits*. <http://www.gao.gov/new.items/d05238.pdf>. P. 59.

<sup>6</sup> Lovenheim, Michael F. and Emily G. Owens. 2013. *Does Federal Financial Aid Affect College Enrollment? Evidence from Drug Offenders and the Higher Education Act of 1998*. <http://papers.nber.org/papers/w18749>.

<sup>7</sup> Task Force on Federal Regulation of Higher Education. 2015. *Recalibrating Regulation of Colleges and Universities: Report of the Task Force on Federal Regulation of Higher Education*. <http://bit.ly/1OcfQTU>. National Association of Student Financial Aid Administrators. 2013. *Preliminary Report of the NASFAA Reauthorization Task Force to the Membership*. <http://www.nasfaa.org/WorkArea/linkit.aspx?LinkIdentifier=id&ItemID=15817>. Advisory Committee for Student Financial Assistance. 2005. *The Student Aid Gauntlet: Making Access to College Simple and Certain*. <http://www2.ed.gov/about/bdscomm/list/acsfa/gauntletcorrected.pdf>.

<sup>8</sup> Raise Your Voice! 2007. “Organizations Calling for a Repeal of the HEA Drug Provision.” <http://www.raiseyourvoice.com/supporters.shtml>.

currently -- and appropriately -- included in the FAFSA's definition of household size. For example:

- The FAFSA's definition of household size includes all children for whom the applicant provides more than half of their support. In contrast, the IRS exemptions generally exclude children over 18 unless they attend college full time.
  - Students who provide the majority of support for an adult relative and live with that relative, such as a parent or grandparent, can include such relatives in their household size on the FAFSA. The IRS exemptions for "qualifying relatives" require not only that the student provide at least half of their support, but also that the relatives have annual income of less than \$3,950.
- The [FAFSA](#) and [IRS](#) definitions of "dependent" are not only very different but also used for different purposes. The FAFSA considers students under age 24 "dependent" and considers their parents' financial information in determining aid eligibility, with certain narrow exceptions. This reflects the expectation that parents should contribute towards their children's education through early adulthood. The IRS takes a much more restrictive and complex approach to defining who can be claimed as a "dependent" on someone else's tax form.
    - If the FAFSA relied on the IRS definition of dependent, more FAFSA applicants would likely be considered independent, which could have substantial cost implications.
  - There are no IRS correlates for several of the FAFSA categories for "marital status." On the IRS 1040 form, "[filing status](#)" captures if you are single, married, widowed, or "head of household (with a qualifying person)." The FAFSA includes the following additional questions: whether students are separated from their spouse; and whether dependent students' parents are separated or divorced, never married, or are unmarried but live together.
  - Using IRS definitions to determine household size, marital status, and dependency status would make the aid application process more burdensome for those who do not file a tax return because they earn too little to owe federal income tax. These financial aid applicants would be required to figure out how to apply complicated IRS rules about their household information, instead of the simpler FAFSA rules.
  - This is no IRS correlate for the number of college students in the household.

The financial aid process necessarily uses past income as a proxy for future income, which enables students and families to know what aid they qualify for and what a particular college will cost them *before* they have to commit to attend. For the same reason, the FAFSA also relies on a snapshot of contextual household information at the time the form is filed. Regardless of whether applicants' income information is drawn from the prior or prior-prior year's tax forms,<sup>9</sup> the FAFSA should continue to use its own more straightforward and relevant definitions of household size, marital status, and dependency status.<sup>10</sup>

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<sup>9</sup> For more information, see the December 19, 2014 coalition letter urging President Obama to direct the Secretary of Education to base federal student aid eligibility on the tax data that are available when students typically apply to college. [http://ticas.org/sites/default/files/pub\\_files/PPY\\_coalition\\_letter.pdf](http://ticas.org/sites/default/files/pub_files/PPY_coalition_letter.pdf).

<sup>10</sup> There is one *non-FAFSA* circumstance in which we do suggest using IRS data to estimate household size. To help prevent federal student loan defaults, we believe severely delinquent borrowers should automatically be enrolled in an income-driven repayment (IDR) plan. If the federal loan promissory note required borrowers to give the Department of Education permission to access their IRS information if they miss at least six consecutive payments,

## Clarification about Unaccompanied Homeless Youth on the FAFSA

We recommend that the Department clarify that unaccompanied homeless youth under age 24 should be considered independent for the purposes of federal student aid. We have long pointed out that the current FAFSA language unfairly and unnecessarily treats such youth as independent only if they are under age 22. This leaves homeless 22- and 23-year-olds to be treated as dependent, inappropriately requiring financial information from their parents to make them eligible for anything but unsubsidized loans. This is inconsistent with legislative intent, as we detailed most recently in our [public comments](#) on the draft 2015-16 FAFSA.<sup>11</sup>

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the Department could then determine what their income-driven payment would be based on their income and family size. In the absence of updated information using the Department of Education definition, we recommend using IRS exemptions as a proxy for family size rather than automatically presuming a family size of one for the calculation of these payments for delinquent borrowers. For more about this proposal, see page 66 of TICAS. 2013. *Aligning the Means and the Ends: How to Improve Federal Student Aid and Increase College Access and Success*. <http://bit.ly/1TQ3NM8>.

<sup>11</sup> For more information, see “Notes for questions 56-58” in TICAS. 2014. Comments on the 2015-16 FAFSA. <http://bit.ly/1KebAPB>. Pp. 3-5.