EXECUTIVE SUMMARY

march 2007

going to the source: a practical way to simplify the FAFSA

college access & success
31 Unnecessary Questions

The highlighted sections below could be answered using tax data from the IRS and removed from the FAFSA form, creating a much easier application process for students and families. A total of 31 questions – about two-thirds of all the currently required income and asset questions – could be removed from the FAFSA forms.

After eliminating these sections, most of the remaining questions are easy for students and families to answer, such as their address, education level, social security numbers, and the colleges they are applying to. (See Appendix 4 for a full-size version.)

The filer may also have to answer up to six questions about assets. Many families with incomes under $50,000 will not be required to answer these questions.

{ Parent income tax paid }

{ Parent data from worksheets A, B & C }

{ Student data from worksheets A, B & C }

{ Student income, tax filing status & income tax paid }

{ Parent income & tax filing status }

{ Education tax credits }

{ Untaxed income, IRA deductions & payments }

{ EITC and child tax credits }
Executive Summary

There is widespread agreement that the complexity of the current Free Application for Federal Student Aid (FAFSA) is a barrier to college access and success. One indication is the large and growing number of lower income college students who do not apply for aid, even though they are likely eligible for a Pell grant: an estimated 1.5 million in 2004 alone.

Unfortunately, simplification of this long, complex, and intimidating form has been difficult to achieve. Most proposals focus on changing the formula for calculating aid eligibility, usually by using fewer pieces of information to determine what a student’s family can contribute towards college costs. That approach can change who qualifies for aid and how much aid they receive, creating concerns about equity and cost that tend to stall such simplification efforts.

This report recommends a different approach, which will make it significantly easier for students and families to apply for aid regardless of the underlying formula. Many of the most difficult and important questions on the current FAFSA could be automatically answered by the IRS and eliminated from the form that applicants have to fill out themselves. The IRS already provides full transcripts of tax data to third parties at any taxpayer’s request, and recently began offering transcripts in electronic form.

Instead of digging through piles of papers, doing calculations with various lines of data, and transferring numbers by hand from a tax form to a worksheet to an application, students and parents could give the Department of Education direct access to needed income information. In some cases, the available records would be one year earlier than is currently used in the financial aid process.

Using the most recent tax data available to answer most of the income-related questions on the FAFSA would improve the financial aid process in several important ways. Going to the source would:
• **Simplify the application process for students and their families.** Of the 28 income and asset questions on the FAFSA, 22 ask for data that comes directly from lines on the IRS Form 1040. Of the 20 questions on the income worksheets required to complete the FAFSA, nine ask for data from IRS forms. That’s a total of 31 questions—about two-thirds of all the currently required income and asset questions—that can be answered automatically and removed from the FAFSA forms.

• **Improve college access and success.** By making aid more accessible, a simpler FAFSA would enable more students to enroll in college, attend full time, work limited hours so they can study more, and finish their degrees. This reform would also make it more feasible to begin the aid application process in the fall of the senior year of high school—the same time students apply to four-year colleges.

• **Reduce errors.** Applications that are filled out incorrectly result in delays that cause students to lose possible grants and scholarships. Some of the most common errors involve incorrectly transcribing information from a Form 1040 to the FAFSA. Getting income data directly from the source would increase the accuracy of federal and state aid determination, including Pell grant eligibility and amounts. It would also reduce opportunities for fraud.

• **Cut colleges’ paperwork burden.** Currently, colleges and universities must verify the data that students and parents entered on the FAFSA, which requires gathering copies of actual tax forms and checking to see that information was transcribed and calculated correctly from the 1040. This administrative burden, estimated to cost colleges more than $400 million a year, would be dramatically reduced by using income data from the IRS, which does not require further verification by colleges.

• **Protect data privacy.** Millions of paper copies of families’ tax forms, with social security numbers and other personal information about every family member, are currently filed and piled in offices at thousands of colleges, universities, and trade schools across the country because they have to verify income data on the FAFSA. This privacy hazard would be all but eliminated if the information came directly from the tax form in the first place, and financial aid offices no longer had to keep copies of applicants’ tax forms.

**Simplification Can Begin Now**

Using tax data to simplify the FAFSA is both practical and feasible. At the IRS and the Department of Education, income data is already processed and stored electronically. Taxpayers can already ask the IRS to send their tax records to any third party, including another federal agency. With something as simple as a check-box on the FAFSA, aid applicants could have the Department draw the necessary income information directly from the IRS. The result: a significantly shorter, easier, and more accurate financial aid application process.

We recommend that the Treasury and Education Departments immediately begin developing a plan for sharing FAFSA-required income data with aid applicants’ consent. This plan should focus on simplifying the process for students and parents, and doing it in the most efficient and secure way possible. Most of the adjustments to the aid application and verification process can be made administratively. However, if there are any procedural obstacles requiring changes in statute, Congress should act quickly to remove them. It is time to simplify the FAFSA by going to the source.