



FAFSA TAX FIELD GUIDE

Everything a financial aid administrator needs to know about how FAFSA data relates to income tax forms.

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The 2025-2026 *FAFSA Tax Field Guide*

Introduction

As you may know, The *Tax Transcript Decoder*, a beloved resource for financial aid administrators (FAAs) since 2014, was discontinued in 2024. Iron Bridge Resources, LLC recently asked Cheryl Hunt, the creator of the *Decoder*, to work with Robert Weinerman, Iron Bridge's Director of Training, to develop a successor document that would provide financial aid administrators similar information – but for the modern financial aid processing era.

The result is Iron Bridge Resources' ***FAFSA Tax Field Guide***. This new *Field Guide* will pick up where the *Decoder* left off, with information relevant to financial aid processing in an environment governed by the FAFSA Simplification Act and FUTURE Act, where the FUTURE Act Direct Data Exchange (FA-DDX) has replaced the IRS Data Retrieval Tool (IRS-DRT), FAFSA data definitions have changed, and V1 Verification has been updated.

We hope you find this document a worthy successor to the *Decoder* and would love your feedback. Please reach out to robert@ironbridgeresources.com with any comments, concerns, or suggestions for future versions of this annual publication.

Readers are reminded that they must stay up-to-date with Department of Education guidance and that guidance supersedes anything published in this document.

All lines in the Table of Contents are live links that will bring users directly to the section referenced.

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This document was published on November 15, 2025, and is believed to be up-to-date and accurate as of this date. FAAs are reminded that they are responsible for learning about and implementing updates from the Department of Education as they are published.

The Department of Education was not involved in this document's production and has not reviewed it for accuracy.

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About Iron Bridge Resources

Iron Bridge Resources is a full-service consulting firm dedicated to advancing the success of higher education institutions. Established in 2013, Iron Bridge has built a reputation for providing specialized support to colleges and universities across the nation. Our expertise allows [our clients](#) to navigate the complexities of academic administration and achieve their strategic goals efficiently and effectively.

Our Services

- [Interim Staffing](#): We provide experienced professionals to fill critical roles within your institution on a temporary basis, ensuring continuity and stability of operations.
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- **Business Solutions**: Our firm offers a range of tailored business solutions to address operational challenges, enhance efficiency, and drive long-term results.

The Iron Bridge leadership team boasts 200+ years of combined experience serving the higher education community. Our consulting team is comprised of seasoned industry experts specializing in financial aid, bursar/student accounts, registrar, and enrollment management functions. By partnering with us, you gain access to the best the industry has to offer, ensuring your institution benefits from cutting-edge insights and practical solutions.

About the Authors

About Cheryl Hunt

Cheryl Hunt dedicated more than 30 years to the field of financial aid. She created and authored the original *Tax Transcript Decoder*—a resource cherished by financial aid administrators across the country. First introduced for 2012–2013, the Decoder remained in use through 2023–2024 and became an indispensable tool for the profession.

Known for her expertise and approachable teaching style, Cheryl was a much-sought-after speaker and trainer in the field until her retirement. Now, she has come out of retirement to share her knowledge and insight once again in this document. A lifetime member of CASFAA, the California Association of Student Financial Aid Administrators, Cheryl's lasting contributions continue to shape and strengthen the profession.

About Robert Weinerman

Robert's background includes over 10 years in senior financial aid roles at the Massachusetts Institute of Technology and Babson College, as well as 13 years at College Coach, the nation's largest provider of college counseling services to corporate America. With experience working in both financial aid offices and directly with families, Robert possesses a unique understanding of the role financial aid officers play as well as how students and parents perceive them. Robert has been the Director of Training at Iron Bridge Resources since 2014, providing training to financial aid administrators about the tax-related information they need to understand.

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Introduction to FAFSA Tax Data

The Student Aid Index (SAI) and Pell Grant eligibility depend, in part, on data that is derived from Form 1040 and its Schedules. Financial aid administrators (FAAs) are required to review this data in a number of circumstances, including when a student is selected for V1 or V5 verification, or if the FAA believes that the data may be incorrect (conflicting information). Once an FAA determines that the data must be reviewed, they must decide which documents to use to conduct the review. In this document, we will look at how FAAs can decide which documents to review and how to use those documents.

We will also look at each FAFSA tax data element that is subject to verification and discuss

- How it is used in the determination of Title IV financial aid eligibility
- What common questions come up about the data element
- Where on the tax return and the tax return transcript is the data element found.

But before we start looking at the data elements themselves, let's look at the sources you can use to review them.

What Documents are FAAs Likely to Use When Reviewing FAFSA Tax Data?

The tax data in the FAFSA can be verified using three sources:

- The FUTURE Act Direct Data Exchange (FA-DDX) Dataset
- Form 1040 and Schedules 1 and 3
- The Tax Return Transcript (TRT)

The FUTURE Act Direct Data Exchange (FA-DDX)

Each contributor to the FAFSA is asked to approve the transfer of tax data from the Internal Revenue Service (IRS) to the FAFSA, and consent to certain uses of this data. If the contributor approves of the transfer and consents to the data use provisions, the FA-DDX will attempt to match the contributor's IRS record to their portion of the FAFSA. If the tool matches the FAFSA contributor to their tax record, and the IRS determines that the data can be transferred to the FAFSA, the following data will be transferred:¹

- | | |
|-------------------------------|--|
| ▪ Tax Year | ▪ Educational Credits |
| ▪ Tax Filing Status | ▪ Untaxed IRA distributions (without accounting for any rollovers) |
| ▪ Adjusted Gross Income (AGI) | ▪ Untaxed pension amounts (without accounting for any rollovers) |
| ▪ Number of Exemptions | ▪ Schedule C net profit/loss |
| ▪ Number of Dependents | ▪ Indicators for Schedules A, B, D, E, F, H |
| ▪ Income Earned from Work | |
| ▪ Taxes Paid | |
| ▪ Tax exempt interest | |
| ▪ IRA deductions and payments | ▪ IRS response code |

¹ See *Application and Verification Guide*, 2025-2026, page 11

If the IRS is unable to match the contributor to an IRS record, or if the match is made but the IRS determines that it cannot transfer the contributor's data to the FAFSA, then the contributor will be asked to manually enter their tax data.

Data transferred into the FAFSA directly from the IRS, and many values derived from that data, are classified as **Federal Tax Information (FTI)**. Section 6103 of the Internal Revenue Code (IRC) governs the use and disclosure of FTI, which is beyond the scope of this document. One of the rules defined in Section 6103 is that FTI must be clearly labeled when it is displayed. FTI in the ISIR or your information systems will be labeled with the code "CUI//SP-TAX" (Controlled Unclassified Information – Specified Tax).

Important: The FA-DDX data are derived from the tax return as it was initially filed, with, perhaps, some modifications made by the IRS during processing. It will not reflect changes made if the taxpayer amends their tax return or if the IRS makes changes after it processes the initially filed tax return.

Not all tax data on the FAFSA that appear on the tax return can be brought into the FAFSA by the FA-DDX. Some FAFSA data are always entered manually. The data that are manually entered are:

- Foreign earned income exclusion (FEIE)
- Whether an Earned Income Credit (EIC) was received in base year or following year by a FAFSA contributor
- Whether an EIC was received in the base year by the contributor
- IRA rollover value
- Pension rollover value
- Grants, scholarships, and/or AmeriCorps benefits included in the contributor's AGI
- The Refundable credit for coverage under a qualified health plan (QHP).

Form 1040 and Schedules 1 and 3

All tax related FAFSA data for a contributor can be found on that contributor's Form 1040 and Schedules 1 and 3. If you collect the contributor's tax return for use in V1 or V5 verification or to review it for conflicting information, it must be signed by the taxpayer or include a preparer's name and Preparer Tax Identification Number (PTIN).

The *Application and Verification Guide* has a table that shows where V1 and V5 verification items can be found on the tax returns. This table is reproduced in the Appendix [here](#).

Tax Return Transcript (TRT)

The IRS produces various "transcripts" that taxpayers can obtain by accessing their online IRS account or submitting IRS Form 4506-T (or 4506-EZ for the basic tax return transcript) by mail. The "tax return transcript" contains most of the data that appears on the taxpayer's *initial* tax return and may contain corrections made by the IRS during processing. Like the FA-DDX dataset, this transcript will not reflect changes made after the return is initially processed, even if the taxpayer files an amended return.

For information about how FAFSA contributors can obtain tax return transcripts, see the Appendix [here](#).

Federal Student Aid has published a matrix containing the line items in the transcript that matches the FAFSA tax data that must be verified if a student is selected for V1 or V5 verification. This is reproduced in the Appendix [here](#).

Tax Document Questions and Answers

When Can I Rely on the FA-DDX Dataset?

FTI (the data labeled with "CUI//SP-TAX" and imported by the FA-DDX directly into the FAFSA) is the most authoritative FAFSA tax data available and should be relied on unless you have reason to suspect

the contributor's tax return was filed incorrectly or you need to review information that is not included in the dataset. **If you have FTI and you have no reason to doubt that the data are accurate, you should rely on the FTI exclusively for any FAFSA tax data it provided.**

If your student was not selected for V1 or V5 verification and you have no reason to doubt that a contributor's tax return was properly filed, you should not collect the tax return or the tax return transcript: you have valid FAFSA data in the FTI section of the ISIR that is not subject to a conflicting information review.

If your student was selected for V1 or V5 verification, you can accept any data imported directly from the IRS as verified (again, unless you have a reason to doubt its accuracy). However, since the foreign earned income exclusions (FEIE) and the rollover values are V1/V5 verification items that are always manually entered (the FA-DDX does not bring the FEIE or rollover values into the FAFSA), you will need to collect additional information to verify them. See the section on the FEIE [here](#) and rollovers [here](#).

When Should I Collect a Tax Return or a Tax Return Transcript?

Since FTI is the contributor's most authoritative tax data, you should rely on it, without collecting a tax return or tax return transcript, in most cases. It will be adequate for V1 and V5 verification in the absence of a reason to question its accuracy and the absence of an FEIE or rollovers. *Requesting a tax return transcript when you have FA-DDX data is a waste of your time and the contributor's time, since the FA-DDX data supersedes the data in the transcript.*

However, there are circumstances when you are required to collect a tax return or tax return transcript, even if you have FA-DDX data. These include:

- If the IRS was unable to match the contributor's tax record to the FAFSA, and that taxpayer reported that they filed a Form 1040 or 1040-NR, and you do not have an FA-DDX dataset, then you must collect a signed copy of the contributor's Form 1040 and applicable schedules, or a tax return transcript, *if the student was selected for V1 or V5 verification*
- If the student was selected for V1 or V5 verification, and a contributor has reported a non-zero value for the FEIE, you will need the tax return, specifically Schedule 1, or the tax return transcript to verify the FEIE
- If the student was selected for V1 or V5 verification, and a contributor has reported a non-zero value for one or both of the rollovers, you will need a signed statement from the contributor indicating that they conducted a rollover in the base year and stating the value of the rollover, or a copy of the tax return or tax return transcript with the word "rollover" written next to the rollover value. This statement must be both signed and dated by the tax filer or one of the tax filers on a joint return
- If you have learned that a contributor to a FAFSA is a victim of tax-related identity theft, then you are required to collect a signed copy of their tax return to ensure that the data in the ISIR are from them and was not created by the identity thief. **In this case, neither the FA-DDX dataset nor the tax return transcript are valid for V1 or V5 verification because they may contain information made up by the identity thief.** The tax return is the only document under the full control of the contributor and must be used when the contributor has been a victim of tax-related identity theft

- If the ISIR includes comment codes 40, 76, 96, or 127, then the student is eligible for Maximum Pell Grant based on the poverty guidelines, and a contributor has reported a non-zero FEIE. In this situation, you must verify the value of the FEIE because you are required to decide if using professional judgment (PJ) is warranted to remove the applicant's eligibility for Maximum Pell Grant. If you decided to use PJ to remove the applicant's eligibility for Maximum Pell Grant, you would:
 1. Add the AGI and the FEIE together, and use this value as the contributor's AGI
 2. Zero out the FEIE in the ISIR (so it is not double counted)
 3. Set the PJ flag to "Yes"
 4. Document how you determined the income values you used
 5. Document why, in this specific case, you determined that using PJ for this purpose was appropriate (the case-by-case justification).

Note: if you review a file with Comment Code 40, 76, 96, or 127 and decide *not* to use PJ to remove the applicant's eligibility for Maximum Pell Grant, make sure you make a note in the applicant's record that you considered using PJ, but elected not to. You are required to review each of these applications but are not required to decide to use professional judgment in every case. Failing to put a note in the record that you did the consideration may result in a negative finding if the applicant's record is selected for review in an audit or program review and cannot prove you reviewed the application for this purpose

Note: The above bullet applies to the 2025-2026 aid year and will not be applicable in 2026-2027 or later.

- If you learn that a contributor to a FAFSA amended their tax return, you will need to collect a signed copy of their 1040-X and supporting schedules. Neither the FA-DDX nor the tax return transcript will be updated with the data from the amended return. If the contributor is unable to provide a copy of the 1040-X (either because they did not save a copy or because the IRS changed their return), you can collect the tax **account** transcript, which will contain the AGI from the amended return, the filing status from the amended return, and a means to calculate the income tax paid from the amended return. No other FAFSA data from an amended return appear on the tax account transcript
- If the contributor filed both a Form 1040 and a territory tax return, the FTI section of the FAFSA will contain only the income and tax from the Form 1040. See [here](#).

When Necessary, Which Should I Collect: the Tax Return or the Tax Return Transcript?

If you need to collect the tax return or the tax return transcript, collecting the tax return will be simpler for the contributor and for you. A best practice is to collect the tax return if it is available and collect the tax return transcript only when you have reason to doubt the accuracy or acceptability of the tax return.

Therefore, you should only collect the tax return transcript in these cases (this list may not be exhaustive):

- If the contributor did not save a copy of their tax return as filed, then you are required to ask for the tax return transcript. *A replica of the tax return is not acceptable for verification.* If you receive a tax return that looks incomplete or does not look like one that could have been filed with the IRS, you should request the tax return transcript. This includes paper tax returns with wet ink signatures, joint returns with only one signature, or dates in the signature lines that don't make sense
- If you suspect that the tax return you received has errors (especially math errors or that the contributor claimed a credit that you don't think they were eligible for), the tax return transcript might incorporate corrections made by the IRS.

FAFSA Tax Data

For each FAFSA data element that is derived from the tax return, we are providing images to help you locate the data on both the tax return and tax return transcript. We will discuss how the item is used in the SAI formula and Pell Eligibility assessments. And we will answer common questions about the data element that Robert Weinerman has been asked through his email helpdesk service.

Adjusted Gross Income (AGI)

2023 IRS Tax Return

Form 1040, Page 1, Line 11

Adjusted gross income

⊖ \$

IRS Form 1040 (or 1040-NR): line 11

Income Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld. If you did not get a Form W-2, see instructions.	1a	Total amount from Form(s) W-2, box 1 (see instructions)		1a	218,351		
	b	Household employee wages not reported on Form(s) W-2		1b			
	c	Tip income not reported on line 1a (see instructions)		1c			
	d	Medicaid waiver payments not reported on Form(s) W-2 (see instructions)		1d			
	e	Taxable dependent care benefits from Form 2441, line 26		1e			
	f	Employer-provided adoption benefits from Form 8839, line 29		1f			
	g	Wages from Form 8919, line 6		1g			
	h	Other earned income (see instructions)		1h			
	i	Nontaxable combat pay election (see instructions)	1i				
	z	Add lines 1a through 1h		1z	218,351		
Attach Sch. B if required. Standard Deduction for— • Single or Married filing separately, \$13,850 • Married filing jointly or Qualifying surviving spouse, \$27,700 • Head of household,	2a	Tax-exempt interest	2a		b Taxable interest	2b	2,314
	3a	Qualified dividends	3a		b Ordinary dividends	3b	
	4a	IRA distributions	4a		b Taxable amount	4b	
	5a	Pensions and annuities	5a		b Taxable amount	5b	
	6a	Social security benefits	6a		b Taxable amount	6b	
	c	If you elect to use the lump-sum election method, check here (see instructions)		<input type="checkbox"/>			
	7	Capital gain or (loss). Attach Schedule D if required. If not required, check here		<input type="checkbox"/>		7	
	8	Additional income from Schedule 1, line 10			8		
	9	Add lines 1z, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your total income			9	220,665	
	10	Adjustments to income from Schedule 1, line 26			10		
11	Subtract line 10 from line 9. This is your adjusted gross income			11	220,665		

How is AGI Used in the Determination of an Applicant's Title IV Aid Eligibility?

The AGI is the core income value used as the base of the income calculations in the SAI formula and plays a role in three different aspects of the eligibility calculations:

1. AGI is the core income value from which the calculation of a contributor's total income starts. It is often the only income that goes into the SAI formula (it is not uncommon for a contributor to have no untaxed income to report in the FAFSA)
2. AGI is the sole income data element used to determine an applicant's eligibility for Maximum or Minimum Pell Grant, though see [here](#) and [here](#) if the contributor reported having a non-zero foreign earned income exclusion and Maximum Pell eligibility.
3. If the AGI of an independent student (and their spouse) or a dependent student's parent(s) is less than \$60,000, and the contributor did not file Schedules A, B, D, E, F, or H with their tax return, and if they filed one or more Schedules C, the total net business income/loss from their Schedules C is greater than \$10,000 or less than -\$10,000, then the applicant and their contributors are not required to report assets when completing the FAFSA.

Note that a dependent student will not be exempt from asset reporting if their parent(s) 1) live outside of the United States or its territories or 2) did not file a tax return for reasons other than low income. See page 37 of the 2025-2026 *Application and Verification Guide* for more information.

2023 IRS Tax Return Transcript

Look for the “Adjustments to Income” section of the transcript. The relevant transcript line is “Adjusted gross income per computer”, which is the last line in this section of the transcript and sits just above the “Tax and Credits” section of the transcript.

Adjustments to Income	
Educator expenses:	\$0.00
Educator expenses per computer:	\$0.00
Reservist and other business expense:	\$0.00
Health Savings Account deduction:	\$0.00
Health Savings Account deduction per computer:	\$0.00
Moving expenses (Form 3903):	\$0.00
Self-employment tax deduction:	\$0.00
Self-employment tax deduction per computer:	\$0.00
Self-employment tax deduction verified:	\$0.00
Keogh/SEP contribution deduction:	\$0.00
Self-employment health insurance deduction:	\$0.00
Early withdrawal of savings penalty:	\$0.00
Alimony paid SSN:	
Alimony paid:	\$0.00
Scholarship/Fellowship excluded:	\$0.00
IRA deduction:	\$0.00
IRA deduction per computer:	\$0.00
Student loan interest deduction:	\$0.00
Student loan interest deduction per computer:	\$0.00
Student loan interest deduction verified:	\$0.00
Total other payment refundable credit per computer:	\$0.00
Total other payment refund verified:	\$0.00
Other adjustments:	\$0.00
Archer MSA deduction:	\$0.00
Archer MSA deduction per computer:	\$0.00
Total adjustments:	\$0.00
Total adjustments per computer:	\$0.00
Adjusted gross income:	\$220,665.00
Adjusted gross income per computer:	\$220,665.00
Tax and Credits	
65 or over:	No
Spouse blind:	No

How Does a Contributor Who Filed a Foreign Tax Return Determine the AGI to Use On the FAFSA?

Contributors are instructed to “report the foreign equivalents of U.S. tax information” and are provided instructions about how to do this in the FAFSA help section [here](#).

If the return was filed in a currency other than United States dollars, then the contributor is instructed to use the exchange rate published by the United States Federal Reserve on the date nearest to the date they first completed the FAFSA.

If you are using a foreign tax return to complete V1 or V5 verification or resolve conflicting information, you should use the currency conversion rate as close to the date the contributor’s FAFSA was submitted, not the rate at the time you are reviewing the file. If you feel that it would be more appropriate to use a more current exchange rate, you must use professional judgment to do so.

What if a Contributor Files Tax Returns to Both the United States and Another Nation?

The United States tax return is the return of record and should be used to complete the FAFSA. Form 1040 should include any foreign income, and any foreign earned income that was excluded from taxation by the United States.

How Does a Contributor Who Filed a Territory Tax Return Determine the FAFSA AGI?

Instructions for contributors who filed tax returns with the United States territories and freely associated states can be found [here](#). All territories use the United States dollar as their currency so there will be no currency conversions necessary when reviewing territory tax returns.

Residents of **Puerto Rico** use the *Planilla de Contribución Sobre Ingresos de Individuos Año Contributivo 2023 (Individual Income Tax Return Tax Year for Calendar Year 2023)* to file their tax returns. Puerto Rico tax returns cannot be filed on paper – they must be filed electronically. A blank copy of this form in English can be found [here](#).

The Puerto Rico tax return is complicated and has different deductions and income exemptions than Form 1040 and its schedules, so that to get a value equivalent to Form 1040, line 11 would require scouring the tax return for income and deductions that are treated differently on the Puerto Rico return. But the Puerto Rico return does list an *Adjusted Gross Income* on Form 482.0, page 2, line 5. You should review the tax Form to determine if this is the appropriate value for use on the FAFSA.

Residents of the **United States Virgin Islands** use the United States Form 1040 to file their tax returns.

Residents of **Guam** file the *Guam Individual Tax Return*, which is a version of Form 1040 specific to Guam.

Residents of **American Samoa** file a tax return that is similar to the pre-2018 version of Form 1040. The AGI appears on line 33.

Residents of the **Commonwealth of the Northern Marianas Islands** file Form 1040CM, the *Northern Marianas Territorial Income Tax Return*, which is similar to the United States 1040, but separates out income directly related to the Marianas Islands and other income. See the next question for details.

What if a Contributor Files Tax Returns to Both the United States and One of its Territories?

Some contributors to an applicant's FAFSA may file tax returns to both the Internal Revenue Service (IRS) and their territorial tax authority. This can occur if an individual moves from the states to a territory during the tax year, if an individual earns income from state-based US sources but lives a territory, if a US serviceperson's legal state of residence is a territory (this is similar to a serviceperson being required to file a federal and state tax return if their legal residence is a state), etc.

See the *Puerto Rico and Other U.S. Territory Residents* section of the *2025-2026 Application and Verification Guide* (page 22) for more information where this issue is discussed.

You only have to address this issue if you become aware that the contributor filed both a Form 1040 and a territory tax return. If you do become aware of this, then you should evaluate the two returns and determine which income should be used to determine the applicant's financial aid eligibility.

[GEN-23-118](#) is more directive, instructing you to use the territory tax return data even if the data from Form 1040 appears in the FTI section of the ISIR. You may decide also that the income from both returns is appropriate to use in the FAFSA.

What is Form 1040-SS and is it Valid for V1 or V5 Verification?

Form 1040-SS, *U.S. Self-Employment Tax Return*, is used by residents of the United States territories to calculate and pay their self-employment tax. It is not an income tax return and does not contain all the data necessary to perform V1 or V5 verification. It is not valid for verification.

Note: Form 1040-PR has been retired. Former users of this form now use Form 1040-SS.

Why are Foreign Non-filers Asked to Report an AGI and Other Tax Data from Form 1040, and How are They Supposed to Answer the Tax Questions in the FAFSA?

The FAFSA Processing System (FPS) treats two sets of contributors to a FAFSA as tax-filers, even if they state on the FAFSA that they did not file any tax return:

- 1) Contributors who state that they did not file Form 1040, had earned income or worked for an international organization, and did not file a foreign tax return **AND**
- 2) Contributors who state that they did not file Form 1040, did not have earn any income or were not required to file a tax return because their total income was less than the threshold for filing a tax return under the Internal Revenue Code, and do not live in the United States (any of the fifty states, the District of Columbia, and the US territories, although the *FAFSA Specifications Guide* does not list the District of Columbia as a place a contributor can live and be considered a United States resident.)

See page 13 of the 2025-2026 *FAFSA Specifications Guide*, Volume 5, *Edits and Rejects*, for details.

These contributors will be treated as though they filed a tax return and will be asked to answer the same set of questions that tax filers are.

Instructions on how to complete the tax section of the FAFSA when an individual is being treated as a tax filer even though they did not file any tax return can be found [here](#). The AGI should be constructed as the sum of any income that would be included on a Form 1040, if the contributor had filed one.

Is it Conflicting Information if a Foreign Non-filer Reports a Non-zero Answer for Income Earned from Work but a 0 for AGI?

It would be a best practice to treat this as conflicting information. See [here](#) and the Income Earned from Work section of this document, [here](#).

How Did the FAFSA Simplification Act and the FUTURE Act Change the Definition of AGI?

The definition of AGI has not changed since the implementation of these two Acts, but the Acts introduced new processes for determining Pell Grant eligibility that are based on the AGI. See [here](#).

How Did the July 4, 2025 Reconciliation Act change the definition of AGI?

Starting with the 2026-2027 aid cycle, for the purpose of determining Maximum and Minimum Pell Grant eligibility, the AGI will be defined as the sum of the AGI plus the FEIE. This will not change how the AGI is reported by contributors or stored in the ISIR; it will only change the behind-the-scenes calculations that go into the Pell eligibility calculations. AGI and FEIE will remain separate values in the ISIR.

Income Tax Paid

2023 IRS Tax Return

Form 1040, Page 2, Line 24

Income tax paid									
\$									
IRS Form 1040: line 24. If negative, enter a zero.									

Form 1040 (2023)										Page 2
Tax and Credits	16	Tax (see instructions). Check if any from Form(s): 1 <input type="checkbox"/> 8814 2 <input type="checkbox"/> 4972 3 <input type="checkbox"/> _____							16	31,760
	17	Amount from Schedule 2, line 3							17	
	18	Add lines 16 and 17							18	31,760
	19	Child tax credit or credit for other dependents from Schedule 8812							19	4,000
	20	Amount from Schedule 3, line 8							20	1,046
	21	Add lines 19 and 20							21	5,046
	22	Subtract line 21 from line 18. If zero or less, enter -0-							22	26,714
	23	Other taxes, including self-employment tax, from Schedule 2, line 21							23	
	24	Add lines 22 and 23. This is your total tax							24	26,714

How is the Income Tax Paid Used in the Determination of an Applicant's Title IV Aid Eligibility?

Income Tax Paid is subtracted from the total income as part of the calculation of the Available Income.

How Does a Contributor Who Filed a Foreign Tax Return Determine the Income Tax Paid to Use on the FAFSA?

The information provided in the FAFSA help section for filers of foreign tax returns (see [here](#)) does not specifically mention Income Tax Paid. The *Application and Verification Guide* tell financial aid administrators this:

For income tax paid, include any income taxes you paid on income in your AGI. If your AGI only shows your net income after paying taxes, enter zero for income tax paid.

Remember, both foreign tax filers and foreign non-filer contributors who are required to report income on the FAFSA are instructed to construct an AGI out of the incomes that make up the United States AGI. See [here](#).

If the return was filed in a currency other than United States dollars, then the contributor is instructed to use the exchange rate published by the United State federal reserve on the date nearest to the date they complete the FAFSA.

If you are using a foreign tax return to complete V1 or V5 verification or resolve conflicting information, you should use the currency conversion rate as close to the date the contributor's FAFSA was submitted, not the rate at the time you are reviewing the file. If you feel that it would be more appropriate to use a more current exchange rate, you must use professional judgment to do so.

How Does a Contributor Who Filed a Territory Tax Return Determine the Income Tax Paid to Use on the FAFSA?

Most of the territories use tax returns that are very similar to Form 1040, and the income tax value to use will appear on their version of Form 1040, line 24 (line 33 for American Samoan filers).

The Puerto Rico tax return is complicated and treats credits differently, so that to get a value equivalent to Form 1040, line 24 would require scouring the tax return for credits that appear earlier in the Puerto Rico return than they do the Form 1040 and Schedule 3. To keep things simple, though, Form 482.0, page 3, line 22 is the *Total Tax Determined*, which is close to the tax listed on Form 1040, line 24, *Total Tax*.

See the [AGI Section](#) of this document for information about the other territories.

2023 IRS Tax Return Transcript

Look for the “Other Taxes” section of the transcript. The relevant transcript line is “Total tax liability taxpayer figures per computer”. It is the last line in this section and sits just above the “Payments” section. On some transcripts this line may instead use this text: “Total tax liability TP figures per computer.”

If the “Total tax liability taxpayer figures per computer” is a negative number, enter a 0 into the ISIR.

Other Taxes	
Self employment tax:	\$0.00
Self employment tax per computer:	\$0.00
Social Security and Medicare tax on unreported tips:	\$0.00
Social Security and Medicare tax on unreported tips per computer:	\$0.00
Tax on qualified plans Form 5329 (PR):	\$0.00
Tax on qualified plans Form 5329 per computer:	\$0.00
Individual Retirement Account File (IRAF) tax per computer:	\$0.00
Taxpayer tax figures (reduced by IRAF) per computer:	\$0.00
Individual Master File (IMF) total tax (reduced by IRAF) per computer:	\$26,714.00
Total other taxes per computer:	\$26,714.00
Unpaid Federal Insurance Contributions Act (FICA) on reported tips:	\$0.00
Form 8959 additional Medicare tax:	\$0.00
Form 8960 net investment income tax:	\$0.00
Interest on deferred tax:	\$0.00
Total other taxes:	\$0.00
Recapture tax (Form 8611):	\$0.00
Household employment taxes:	\$0.00
Household employment taxes per computer:	\$0.00
Interest due on installment:	\$0.00
Schedule 8812 additional tax computer:	\$0.00
Refundable child care computer:	\$0.00
Health coverage recapture (Form 8885):	\$0.00
Excess Social Security tax withheld verified:	\$0.00
Excess Social Security tax withheld per computer:	\$0.00
Total additional taxes:	\$0.00
Total assessment per computer:	\$26,714.00
Total tax liability taxpayer figures:	\$26,714.00
Total tax liability taxpayer figures per computer:	\$26,714.00
Payments	
Federal income tax withheld:	\$19,223.00
Schedule 8812 additional tax:	\$0.00

How Did the FAFSA Simplification Act and the Future Act Change the Definition of the Income Tax Paid Question?

The Acts did not change the definition of income tax paid. But the definition did change from 2023-2024 (the last year before FAFSA Simplification) to 2024-2025. Prior to 2024-2025, the Income Tax Paid was Form 1040, line 22 minus Schedule 2, line 2 (and if this resulted in a negative number, the value would be set to 0). But when institutions began to look at the first ISIRs they received for 2024-2025, they were not seeing Form 1040, line 22 minus Schedule 2, line 2 in the Income Tax Paid field in the FTI section of the ISIR. Ultimately, Federal Student Aid (FSA) determined that the IRS was providing them

with Form 1040, line 24 (without adjusting for Schedule 2, line 2) instead of the old values, and decided to change the value to the value the IRS was providing².

Did the Change to Form 1040, Line 24 for the Income Tax Paid Question Have an Impact on Financial Aid Outcomes?

Yes. A big one for self-employed taxpayers and taxpayers paying penalties for early IRA/Pension withdrawals, among others.

A taxpayer's income tax (including their alternative minimum tax) is reported on Form 1040, line 22. Form 1040, line 24 includes other taxes such as self-employment taxes and penalties for early withdrawals from IRAs and pensions.

In a broad sense, changing the value used for Income Tax Paid to Form 1040, line 24 made the SAI formula much more generous to self-employed people. Remember, Income Earned from Work is used to calculate an allowance for employment taxes (including the self-employment tax). Form 1040, line 24 includes the self-employment tax. As a result, contributors who pay self-employment taxes are getting not only the calculated allowance based on their Income Earned from Work, but also the actual amount of their self-employment tax paid.

Let's compare how non-income taxes are accounted for based on different kinds of income earned.

- Wage earners who do not pay self-employment tax get just the calculated allowance. This is approximately equal to the social security and Medicare tax that they actually paid
- Partners (owners of partnerships, a kind of business with multiple owners who are considered self-employed by the IRS) do not get the calculated allowance (because Schedule K-1 (Form 1065), box 14, code A is no longer a component of the Income Earned from Work question³). But their self-employment tax is included in Form 1040, line 24. *This is about twice the calculated allowance that wage earners receive*
- Self-employed people who file a Schedule C and farmers who file a Schedule F get both the calculated allowance and their self-employment tax (as part of the Income Tax Paid allowance). So, *Schedule C filers get about three times the deduction for employment taxes than wage earners do.*

² The Higher Education Act specifies that "federal income taxes" should be excluded from income when calculating the applicant's Student Aid Index. Since Form 1040, line 24 contains taxes and penalties that are not part of the income tax, it is possible that this change to Form 1040, line 24 was not legal.

³ This is discussed in the Income Earned from Work section of this document [here](#).

Income Earned from Work

The Income Earned from Work question on the FAFSA has three components:

- Form 1040, line 1z
- Schedule 1, line 3 (if this value is negative, treat it as \$0 and do not subtract the negative number)
- Schedule 1, line 6 (if this value is negative, treat it as \$0 and do not subtract the negative number)

These values come directly from Form 1040 and Schedule 1 and are unambiguous.

2023 IRS Tax Return

Form 1040, Page 1, Line 1z + Schedule 1: Line 3 + Schedule 1, line 6. Treat negative values as zero.

Income		1a	1a
Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld. If you did not get a Form W-2, see instructions.	1a Total amount from Form(s) W-2, box 1 (see instructions)		218,351
	b Household employee wages not reported on Form(s) W-2		1b
	c Tip income not reported on line 1a (see instructions)		1c
	d Medicaid waiver payments not reported on Form(s) W-2 (see instructions)		1d
	e Taxable dependent care benefits from Form 2441, line 26		1e
	f Employer-provided adoption benefits from Form 8839, line 29		1f
	g Wages from Form 8919, line 6		1g
	h Other earned income (see instructions)		1h
	i Nontaxable combat pay election (see instructions)	1i	
	z Add lines 1a through 1h		1z

SCHEDULE 1 (Form 1040)		Additional Income and Adjustments to Income		OMB No. 1545-0074	
Department of the Treasury Internal Revenue Service		Attach to Form 1040, 1040-SR, or 1040-NR. Go to www.irs.gov/Form1040 for instructions and the latest information.		2023 Attachment Sequence No. 01	
Name(s) shown on Form 1040, 1040-SR, or 1040-NR				Your social security number	
Part I Additional Income					
1	Taxable refunds, credits, or offsets of state and local income taxes	1			
2a	Alimony received	2a			
b	Date of original divorce or separation agreement (see instructions):				
3	Business income or (loss). Attach Schedule C	3			
4	Other gains or (losses). Attach Form 4797	4			
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	5			
6	Farm income or (loss). Attach Schedule F	6			
7	Unemployment compensation	7			

How is Income Earned from Work Used in the Determination of an Applicant's Title IV Aid Eligibility?

Income Earned from Work is used to determine two allowances against income in the SAI formula:

- The Payroll Tax Allowance (which consists of two parts: a calculation to determine the Medicare's Hospital Insurance (HI) Program Tax Rate and a second calculation to determine the Old-age, Survivors, and Disability Insurance (OASDI) Tax Rate). This allowance is designed to offset the contributor's income by an *approximation* of the amount of the employment taxes that they paid as a result of their earning income
- The Employment Expense Allowance (EEA).

2023 IRS Tax Return Transcript

All three of the components of the “Income Earned from Work” FAFSA question appear in the “Income” section of the transcript. The relevant transcript lines are

- “Total wages”
- “Business income or loss (Schedule C) per computer”
- “Farm income or loss (Schedule F) per computer”

If any of these values are negative, treat them as though they were zero.

Income	
Total wages:	\$218,351.00
Form W-2 wages:	\$218,351.00
Taxable interest income (Schedule B):	\$2,314.00
Tax-exempt interest:	\$0.00
Ordinary dividend income (Schedule B):	\$0.00
Qualified dividends:	\$0.00
Refunds of state/local taxes:	\$0.00
Alimony received:	\$0.00
Business income or loss (Schedule C):	\$0.00
Business income or loss (Schedule C) per computer:	\$0.00
Capital gain or loss (Schedule D):	\$0.00
Capital gains or loss (Schedule D) per computer:	\$0.00
Other gains or losses (Form 4797):	\$0.00
Total IRA distributions:	\$0.00
Taxable IRA distributions:	\$0.00
Total pensions and annuities:	\$0.00
Taxable pension/annuity amount:	\$0.00
Additional income:	\$0.00
Additional income per computer:	\$0.00
Refundable credits per computer:	\$0.00
Refundable education credit per computer:	\$0.00
Rent/royalty/partnership/estate (Schedule E) per computer:	\$0.00
Rent/royalty income/loss per computer:	\$0.00
Estate/trust income/loss per computer:	\$0.00
Partnership/S-Corp income/loss per computer:	\$0.00
Farm income or loss (Schedule F):	\$0.00
Farm income or loss (Schedule F) per computer:	\$0.00
Unemployment compensation:	\$0.00
Total Social Security benefits:	\$0.00

Why Did My Student’s SAI Increase after I Reduced Their Parent’s Income Earned from Work During a Professional Judgement?

The Income Earned from Work value is not, itself, a component of the total income for a contributor. It is only used to calculate *allowances against income*. If you only reduce the Income Earned from Work, you will reduce *allowances*, which are subtracted from the total income in the SAI formula. When you subtract a smaller number from a value, the result is a larger number than the original resultant value.

Income earned from work is a component of the AGI, and it is included in the total income because it is a component of the AGI. If you do an income adjustment professional judgment due to a change in earned income, you should reduce both the Income Earned from Work and the AGI, and a best practice would be to adjust the Income Tax Paid as well.

How Does a Contributor Who Filed a Foreign Tax Return Determine Their Answer to the FAFSA Income Earned from Work Question?

The contributor should add up all of their earned income, doing their best to match the values that would appear on Form 1040, line 1z, Schedule 1, line 3, and Schedule 1, line 6, as if they filed a Form 1040 and related schedules:

- Form 1040, line 1z is predominantly wages or salaries. It captures the income paid to someone who is not self-employed
- Schedule 1, line 3 is net income from self-employment. This is calculated on one or more Schedules Cs in the United States and should be the non-US business owner's net income from their business(es)
- Schedule 1, line 6 is net farm income. This is calculated on one or more Schedules F in the United States and should be the non-US farmer's net income from their farms.

My Institution Collects W-2s that We Use in Our Institutional Analysis. Since the Actual Amount of Social Security and Medicare Tax Paid is Based on W-2, Box 5, Can We Use W-2, Box 5 Instead of Form 1040, Line 1z for the Wage Component of the Income Earned from Work Question?

No. The allowance is understood to be an approximation. Note also that the FAFSA Simplification Act requires all income data to be derivable from the tax return. W-2, box 5 does not appear on the tax return, so it cannot be used as a component of the Income Earned from Work answer.

Since the Income Earned from Work is Used to Offset a Contributor's Income by the Amount of the Employment Tax they Paid, Can We Zero Out the Income Earned from Work Answer if the Contributor Lives in a Foreign Country and is Not Paying Into Social Security or Medicare?

No. All contributors who earned income should report their income as defined in the FAFSA instructions, and if you are reviewing a file, you should use that definition even if the contributor did not pay employment taxes. All contributors with earned income will and should receive the earned income-based allowances as a result. There is no authority to zero out the earned income or to zero out these allowances.

Is it Conflicting Information if a Foreign Non-filer Reports a Non-zero Answer for Income Earned from Work but a 0 for AGI?

Since the [instructions](#) for a foreign non-filer who is being asked to report income information on their FAFSA specify that the AGI should include "all wages" and "business income", it is unlikely that a contributor who reports having earned income, but a \$0 AGI, has correctly answered the AGI question. And since the AGI is so critical to the SAI calculation and Pell eligibility determinations, an incorrect AGI can easily lead to an incorrect SAI or Pell award.

It would be a best practice to investigate these situations as conflicting information.

How Did the FAFSA Simplification Act and the FUTURE Act Change the Definition of Income Earned from Work?

There were three major changes to this FAFSA data element that resulted from these two Acts:

- First, Income Earned from Work changed from being based on each FAFSA contributor, to each tax return. Prior to the Acts' enactment, each contributor would report their own Income Earned from Work value on the FAFSA, even if they filed a joint tax return with their spouse. Since the Acts' enactment, contributors who filed a joint tax return will be reporting a single value, based on the appropriate lines on the joint return, for Income Earned from Work
- Second, prior to the enactment of the Acts, the Income Earned from Work question included a partner's self-employment income. This was reported on Schedule K-1 (Form 1065), box 14, code A, was included in the Income Earned from Work answer. Since this value cannot be derived directly from Form 1040 and its supporting schedules, it has been removed from the formula that determines the Income Earned from Work value in years 2024-2025 and later
- Third, non-filers reported their Income Earned from Work on the FAFSA in years 2023-2024 and earlier, and this value was included in the Expected Family Contribution calculation. The FAFSA Simplification Act changed this, and non-filers in the United States and US territories are no longer asked to report their Income Earned from Work. If an applicant is selected for V1 or V5 verification, the guidance states that their Income Earned from Work should be verified, but this is a stand-in for actually checking to see if they are legitimately not required to file a tax return based on IRS regulations.

How Did the July 4, 2025 Reconciliation Act change the definition of Income Earned from Work?

The definition of Income Earned from Work was not changed in this law.

Can I Use Professional Judgment to Include the Income in Box 14 of Schedule K-1 (Form 1065) in the Income Earned from Work Calculation?

There is nothing specifically prohibiting this. However, you would need to follow the rules for special circumstance professional judgments: collect documentation of both the value you want to include in the Income Earned from Work and the specific reason why, in the specific applicant's case, not including this income in the Income Earned from Work impacts the specific student's ability to cover their college costs. Then document in the student's record why you chose to use professional judgment in this way.

You cannot do this for every student with a contributor who owns a partnership. It is a good practice when using professional judgment to ask yourself what would have to be different about the student's situation that would lead you to not do the professional judgment. If you cannot identify a situation in which you would not include the partnership income in the Income Earned from Work, you have created a class of students for whom you will always do a professional judgment, and this is not permitted.

Also, remember that the change in the definition of Income Tax paid to Form 1040, line 24 brought the actual amount of self-employment tax paid into the allowances. This means that even though partners are not getting the allowances that are based on Income Earned from Work, their Income Tax Paid allowance includes all of their self-employment tax, which is about twice what the calculated allowance would be. See [here](#).

Untaxed Portions of IRA Distributions and Untaxed Portions of Pensions

In this section, the images from the FAFSA (at right), tax return, and tax return transcript refer only to the untaxed portion of the IRA distribution and untaxed portion of the pension distribution that *include the rollover value*. The total untaxed distributions appear in the ISIR in the FTI section (if the FA-DDX successfully matched the contributor’s FAFSA to their IRS record) or the manually entered data section (if the FA-DDX is not the source of the FAFSA data). The rollovers are reported separately from this value and are not derived directly from the tax return or transcript.

For both the Untaxed Portion of IRA distributions and the Untaxed Portions of Pensions, there is a tax-form based value and a non-tax form-based value.

	Tax-form Based Value	Non-tax-form Based Value
Untaxed IRA Distribution	Form 1040, line 4a – Form 1040, line 4b	Manually Entered Value of IRA Rollover
Untaxed Pension	Form 1040, line 5a – Form 1040, line 5b	Manually Entered Value of Pension Rollover

The ISIR will contain all four of these values, and the components that are included in the total income in the SAI formula are

- Untaxed Portions of IRA Distributions: Form 1040, line 4a – Form 1040, line 4b – the IRA Rollover
- Untaxed Portions of Pensions: Form 1040, line 5a – Form 1040, line 5b – the pension Rollover.

If either of these values is negative a 0 is used instead of the negative number.

4a IRA distributions	4a	67,500	b Taxable amount . . ROLLOVER . . .	4b	0
5a Pensions and annuities . . .	5a		b Taxable amount	5b	5,000

In the above example, line 4a minus line 5a would be \$67,500. Line 5a – line 5b is –\$5,000, but since this is a negative number, the correct value to use is \$0.

The word “ROLLOVER” in line 4 indicates that the taxpayer moved money from one IRA to another account with similar tax characteristics. We will find the value of the rollover in the manual data section of the contributor’s ISIR data, as the tax return does not (necessarily) show the actual value of the rollover. “ROLLOVER” can also appear on line 5 if the taxpayer conducted a pension rollover.

Untaxed portions of IRA distributions
 \$
 IRS Form 1040: line 4a minus 4b

Untaxed portions of pensions
 \$
 IRS Form 1040: line 5a minus 5b

2023 IRS Tax Return

“Untaxed portions of IRA distributions” – Form 1040 Line 4a minus Form 1040, line 4b

Income Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld. If you did not get a Form W-2, see instructions.	1a	Total amount from Form(s) W-2, box 1 (see instructions)		1a	218,351
	b	Household employee wages not reported on Form(s) W-2		1b	
	c	Tip income not reported on line 1a (see instructions)		1c	
	d	Medicaid waiver payments not reported on Form(s) W-2 (see instructions)		1d	
	e	Taxable dependent care benefits from Form 2441, line 26		1e	
	f	Employer-provided adoption benefits from Form 8839, line 29		1f	
	g	Wages from Form 8919, line 6		1g	
	h	Other earned income (see instructions)		1h	
	i	Nontaxable combat pay election (see instructions)	1i		
	z	Add lines 1a through 1h		1z	218,351
Attach Sch. B if required.	2a	Tax-exempt interest	2a	b Taxable interest	2b 2,314
	3a	Qualified dividends	3a	b Ordinary dividends	3b
	4a	IRA distributions	4a	b Taxable amount	4b
Standard Deduction for	5a	Pensions and annuities	5a	b Taxable amount	5b

2023 IRS Tax Return

“Untaxed portion of pensions” – Form 1040, Line 5a minus Form 1040, line 5b

Income Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld. If you did not get a Form W-2, see instructions.	1a	Total amount from Form(s) W-2, box 1 (see instructions)		1a	218,351
	b	Household employee wages not reported on Form(s) W-2		1b	
	c	Tip income not reported on line 1a (see instructions)		1c	
	d	Medicaid waiver payments not reported on Form(s) W-2 (see instructions)		1d	
	e	Taxable dependent care benefits from Form 2441, line 26		1e	
	f	Employer-provided adoption benefits from Form 8839, line 29		1f	
	g	Wages from Form 8919, line 6		1g	
	h	Other earned income (see instructions)		1h	
	i	Nontaxable combat pay election (see instructions)	1i		
	z	Add lines 1a through 1h		1z	218,351
Attach Sch. B if required.	2a	Tax-exempt interest	2a	b Taxable interest	2b 2,314
	3a	Qualified dividends	3a	b Ordinary dividends	3b
	4a	IRA distributions	4a	b Taxable amount	4b
Standard Deduction for	5a	Pensions and annuities	5a	b Taxable amount	5b

How are the Untaxed IRA Distribution and the Untaxed Pension values Used in the Determination of an Applicant’s Title IV Aid Eligibility?

They are added to the AGI as untaxed income so are part of the total income. No allowances are based on the untaxed IRA distributions or untaxed pensions, or the total income, so changes to these values will not result in a change in the allowances against income.

If the IRS Matched the Contributor’s FAFSA to the Contributor’s IRS Record, How Do We Know If they Had a Rollover in the Tax Year? What if We are Looking at a Tax Return Transcript?

The FA-DDX does not transfer the value of the rollover into the FAFSA, nor does it provide an indicator that the tax return included a rollover. The rollover value is always manually entered. Also, the “rollover” indicator that appears on the tax return does not appear on the tax return transcript.

The only way to know if the contributor had a rollover without looking at the tax return is to look in the ISIR to see if they reported a non-zero value in one of the rollover questions.

2023 IRS Tax Return Transcript

“Untaxed portions of IRA distributions”

Find the “Total IRA distributions” and “Taxable IRA distributions” in the “Income” section of the transcript. The correct value for the ISIR is “Total IRA distributions” minus “Taxable IRA distributions”. IRA rollovers, if any, are not reflected in the tax return transcript.

Income	
Total wages:	\$218,351.00
Form W-2 wages:	\$218,351.00
Taxable interest income (Schedule B):	\$2,314.00
Tax-exempt interest:	\$0.00
Ordinary dividend income (Schedule B):	\$0.00
Qualified dividends:	\$0.00
Refunds of state/local taxes:	\$0.00
Alimony received:	\$0.00
Business income or loss (Schedule C):	\$0.00
Business income or loss (Schedule C) per computer:	\$0.00
Capital gain or loss (Schedule D):	\$0.00
Capital gains or loss (Schedule D) per computer:	\$0.00
Other gains or losses (Form 4797):	\$0.00
Total IRA distributions:	\$0.00
Taxable IRA distributions:	\$0.00
Total pensions and annuities:	\$0.00
Taxable pension/annuity amount:	\$0.00

2023 IRS Tax Return Transcript:

“Untaxed portion of pensions”

Find the “Total pensions and annuities” and “Taxable pension/annuity amount” in the “Income” section of the transcript. The value for the ISIR is “Total pensions and annuities” minus “Taxable pensions/annuity amount”. Pension rollovers, if any, are not reflected in the tax return transcript.

Income	
Total wages:	\$218,351.00
Form W-2 wages:	\$218,351.00
Taxable interest income (Schedule B):	\$2,314.00
Tax-exempt interest:	\$0.00
Ordinary dividend income (Schedule B):	\$0.00
Qualified dividends:	\$0.00
Refunds of state/local taxes:	\$0.00
Alimony received:	\$0.00
Business income or loss (Schedule C):	\$0.00
Business income or loss (Schedule C) per computer:	\$0.00
Capital gain or loss (Schedule D):	\$0.00
Capital gains or loss (Schedule D) per computer:	\$0.00
Other gains or losses (Form 4797):	\$0.00
Total IRA distributions:	\$0.00
Taxable IRA distributions:	\$0.00
Total pensions and annuities:	\$0.00
Taxable pension/annuity amount:	\$0.00

If the Student is Selected for V1 Verification, Do We Need to Verify the Rollover if the Value in the ISIR is \$0?

No. You only need to verify non-zero rollover values if the student is selected for V1 or V5 verification.

How Do We Know if the FAFSA Contributor Conducted a Rollover on a Tax Return?

If the contributor’s tax return was properly filed, you will see the word “rollover” on the same line as the distribution information on the tax return.

In the image below, the taxpayer conducted an IRA rollover (note the word “ROLLOVER” on line 4) but did not conduct a pension rollover (note the lack of the word “rollover” on line 5).

4a IRA distributions	4a	67,500	b Taxable amount . . ROLLOVER . . .	4b	0
5a Pensions and annuities . . .	5a		b Taxable amount	5b	5,000

Note that the word “rollover” can appear anywhere on Form 1040, line 4 or line 5. Its location has no functional meaning.

How Do We Know the Actual Value of the Rollover from the Tax Return?

Unfortunately, you cannot conclusively determine the value of a rollover from the tax return. In the example above, the most likely value for the rollover would be \$67,500, or line 4a minus line 4b. However, it is possible that the total distribution on line 4a includes both a rollover and an actual distribution. The tax return would look like this if the taxpayer has done a \$60,000 rollover and a \$7,500 Roth IRA distribution – or any combination of the two that equaled \$67,500.

If the applicant is not selected for V1 or V5 verification, then any rollover value they reported on the FAFSA that is equal to or smaller than the total amount of untaxed distributions on either line 4a or line 4b could be correct. You would not have conflicting information with any such value unless you had reason to doubt, from information you learned outside of the FAFSA itself, that the value was incorrect. Without information from outside the FAFSA data, such as a statement from the contributor that they answered the rollover question incorrectly, you would not need to question any such value.

If a Student is Selected for V1 or V5 Verification, What Documents Can We Use to Verify Rollovers?

ED has stated that you can collect one of two documents to verify a rollover in a selected application.

- 1) A signed statement confirming the amount of the rollover **OR**
- 2) A signed copy of the tax return or tax return transcript that includes the word “rollover” beside the rollover value. Note that the annotation must be signed **and dated** by the tax filer.

Can We Accept Form 1099-R or Form 5498 as Verification Documents for Rollovers?

People have been asking this question since the dawn of verification, and to my knowledge, Federal Student Aid has never said that these tax forms are acceptable for verification.

Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc., will show the total amount withdrawn from an IRA or pension plan in box 1. Information about the withdrawal can be found in Box 7, which contains codes that let the IRS what the account owner’s intention was when taking money out of the account. If there is a code of 6, G, or H in box 7, this indicates that the amount in box 1 was intended to be a rollover. Note that this code means that the account owner told their custodian that they intended to roll the withdrawn funds into another retirement account, but it is possible that the rollover did not happen, was unsuccessful, or was not completed within sixty (60) days of the withdrawal (this would be called a “failed rollover”). Also, the taxpayer may not have told the custodian that they planned to roll the withdrawn funds into another account but may still have successfully rolled the funds into another account.

Form 5498, IRA Contribution Information, will show the value of funds actually “rolled over” into the recipient IRA account (Form 5498 is not issued if the funds were rolled over into an employer sponsored plan like a 401k or 403b). It is definitive. If there is a value in box 2 of Form 5498, then the funds are a completed rollover.

Again, neither Form 1099-R nor Form 5498 are included in the list of valid documents for verifying a rollover. A conservative approach to verification would be to rely on the documents mentioned above that are valid for verification and not collect these forms for verification purposes.

Can We Collect Both a Signed Statement Indicating that a Rollover Happened that Lists Its Value, AND Form 1099-R or Form 5498, Just to be Sure We Have the Right Rollover Amount?

Once you have received a document that is valid for verification, you must proceed to use it. You cannot delay processing the application or disbursing funds if you have the complete set of documents necessary to complete your review or perform verification, in the absence of suspected conflicting information or an intention to consider using professional judgment. Because the signed statement is acceptable for verification and Forms 1099-R and 5498 are not, waiting for these extra documents to move an application forward is not permitted. So, it would **not** be a good practice to ask for these forms as part of the verification process.

However, if you are concerned that your verification document contains incorrect information and you decide that Form 1099-R and/or Form 5498 is/are needed to resolve the conflicting information, you can collect them. Just make sure you document, in the applicant’s record, why you have paused processing or held up a disbursement before requesting the form(s).

If you need to resolve conflicting information about a rollover into an employer sponsored 401k, 403b, or 457 plan, you can ask for the monthly statement for the month that the rollover funds were deposited in the plan. There should be a clearly marked transaction in the statement that shows both that the plan received a rollover and how much was deposited into the account as a rollover.

What Should We Do if a Contributor Reported a Non-zero Value for a Rollover in the FAFSA, but Their Tax Return Does Not Include the Word “Rollover” on Form 1040, Line 4 or Line 5?

You have identified conflicting information that you need to resolve. In this case, either the tax return was filed incorrectly, or the value of the rollover should be zero.

Since you, as a financial aid administrator, can determine which documentation you need to collect to resolve the conflicting information, this might be an opportunity to ask for Form 1099-R and/or Form 5498. This is not a verification situation and these forms, preferably Form 5498 for IRA rollovers, will allow you to determine the correct value for the rollover without ambiguity.

Note: if you received documentation that allows you to conclude that the manually reported value is correct, and that the missing “rollover” on the tax return is incorrect, you do not need to ask the contributor to amend their tax return to add the word “rollover” to Form 1040. Collecting a Form 1040-X, *Amended U.S. Individual Income Tax Return*, would not change the student’s eligibility for Title IV aid, so it is not necessary to collect a corrected tax return.

How Did the FAFSA Simplification Act and the Future Act Change the Definition of the Untaxed Portion of IRA Distributions and Untaxed Portions of Pensions Questions?

The implementation of the FA-DDX changed the way the tax-form based and manually entered components of these questions populate the FAFSA, but the definitions did not change. The old IRS Data Retrieval Tool (DRT) would bring in the values from the tax return, and if they included an untaxed IRA or pension distribution, would ask the contributor if they had conducted a rollover during the tax year. If they answered yes, they would be asked to report the value of the rollover. The DRT would

calculate the value of the untaxed income after subtracting the rollover, so only the net value would appear in the ISIR.

The FA-DDX will import the tax-based values directly, and all contributors who filed a tax return will be asked about rollovers. The rollover values are shown in the ISIR separately from the tax form derived values.

Also, from 2020-2021 through 2023-2024, the FAFSA asked a single question for both the IRA contribution and the pension contribution. The question was split into the four questions we have now when the 2024-2025 FAFSA was released.

How Did the July 4, 2025 Reconciliation Act Change the Definition of the Untaxed Portion of IRA Distributions and Untaxed Portions of Pensions Questions?

The definition of these FAFSA values was not changed in this law.

Education Credits

2023 IRS Tax Return

Form 1040, line 29 plus Schedule 3, line 3

Education credits (American Opportunity and Lifetime Learning credits)	
\$	<input type="text"/>
IRS Form 1040 Schedule 3: line 3 + IRS Form 1040: line 29	

Form 1040, line 29 is listed as the "American opportunity credit from Schedule 8812"

Payments	25	Federal income tax withheld from:			
	a	Form(s) W-2	25a	19,223	
	b	Form(s) 1099	25b		
	c	Other forms (see instructions)	25c		
	d	Add lines 25a through 25c	25d	19,223	
If you have a qualifying child, attach Sch. EIC.	26	2023 estimated tax payments and amount applied from 2022 return	26		
	27	Earned income credit (EIC)	27		
	28	Additional child tax credit from Schedule 8812	28		
	29	American opportunity credit from Form 8863, line 8	29		

SCHEDULE 3 (Form 1040)	Additional Credits and Payments	OMB No. 1545-0074
Department of the Treasury Internal Revenue Service	Attach to Form 1040, 1040-SR, or 1040-NR. Go to www.irs.gov/Form1040 for instructions and the latest information.	2023 Attachment Sequence No. 03
Name(s) shown on Form 1040, 1040-SR, or 1040-NR		Your social security number
Part I Nonrefundable Credits		
1	Foreign tax credit. Attach Form 1116 if required	1
2	Credit for child and dependent care expenses from Form 2441, line 11. Attach Form 2441	2
3	Education credits from Form 8863, line 19	3

2023 IRS Tax Return Transcript

"Refundable education credit per computer" plus "Education credit per computer"

Locating the relevant lines for the education credits on the tax return transcript can be a little tricky, so we are providing more detail for this FAFSA tax item than we do for other FAFSA tax items.

Form 1040, line 29: Find the "Refundable education credit per computer" in the "Payments" section of the ISIR. There are two instances of this term in the tax return transcript, and the instance in the "Payments" section of the transcript is the better one to use.

Payments	
Federal income tax withheld:	\$19,223.00
Schedule 8812 additional tax:	\$0.00
Estimated tax payments:	\$0.00
Other payment credit:	\$0.00
Refundable education credit:	\$0.00
Refundable education credit per computer:	\$0.00
Refundable education credit verified:	\$0.00
Refundable credits:	\$0.00
Earned income credit:	\$0.00
Earned income credit per computer:	\$0.00
Nontaxable combat pay:	\$0.00
Schedule 8812 nontaxable combat pay:	\$0.00

Schedule 3, line 3: Find the “Education credit per computer” in the “Tax and Credits” section of the tax return transcript.

Tax and Credits	
Spouse blind:	No
Standard deduction per computer:	No
Additional standard deduction per computer:	\$0.00
Tax table income per computer:	\$0.00
Exemption amount per computer:	\$187,021.00
Taxable income:	\$0.00
Taxable income per computer:	\$187,021.00
Total positive income per computer:	\$220,665.00
Tentative tax:	\$31,760.00
Tentative tax per computer:	\$31,760.00
Form 8814 additional tax amount:	\$0.00
Tax on income less Social Security income per computer:	\$0.00
Form 6251 alternative minimum tax:	\$0.00
Form 6251 alternative minimum tax per computer:	\$0.00
Foreign tax credit:	\$0.00
Foreign tax credit per computer:	\$0.00
Foreign income exclusion per computer:	\$0.00
Foreign income exclusion tax per computer:	\$0.00
Excess advance premium tax credit repayment amount:	\$0.00
Excess advance premium tax credit repayment verified amount:	\$0.00
Child & dependent care credit:	\$1,046.00
Child & dependent care credit per computer:	\$1,045.80
Credit for elderly and disabled:	\$0.00
Credit for elderly and disabled per computer:	\$0.00
Education credit:	\$0.00
Education credit per computer:	\$0.00
Gross education credit per computer:	\$0.00
Retirement savings contribution credit:	\$0.00
Retirement savings contribution credit per computer:	\$0.00

How are the Education Credits Used in the Determination of an Applicant’s Title IV Aid Eligibility?

The Education Credits are subtracted from the Total Income as an Income Offset, reducing the income assessed in the formula.

How Did the FAFSA Simplification Act and the Future Act Change the Treatment of the Education Credits?

Although the Acts did not change the treatment of the Education Credits as used in the SAI formula, the definition was changed from 2023-2024 (the last year before FAFSA Simplification) to 2024-2025 through a different action. Prior to 2024-2025, the Education Credits was just Schedule 3, line 3. But when institutions began to look at the first ISIRs for 2024-2025, many ISIRs included a value for the Education Credits that was greater than the value from Schedule 3, line 3. Ultimately, Federal Student Aid (FSA) determined that the IRS was providing them with Form 1040, line 29 in addition to Schedule 3, line 3, instead of just Schedule 3, line 3, and decided to change the value to the value the IRS was providing.

Foreign Earned Income Exclusion

2023 IRS Tax Return

Schedule 1, line 8d

Foreign earned income exclusion



\$

IRS Form 1040 Schedule 1: line 8d

SCHEDULE 1 (Form 1040) Department of the Treasury Internal Revenue Service	Additional Income and Adjustments to Income Attach to Form 1040, 1040-SR, or 1040-NR. Go to www.irs.gov/Form1040 for instructions and the latest information.	OMB No. 1545-0074 2023 Attachment Sequence No. 01
Name(s) shown on Form 1040, 1040-SR, or 1040-NR		Your social security number
Part I Additional Income		
1 Taxable refunds, credits, or offsets of state and local income taxes		1
2a Alimony received		2a
b Date of original divorce or separation agreement (see instructions): _____		
3 Business income or (loss). Attach Schedule C		3
4 Other gains or (losses). Attach Form 4797		4
5 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E		5
6 Farm income or (loss). Attach Schedule F		6
7 Unemployment compensation		7
8 Other income:		
a Net operating loss	8a ()	
b Gambling	8b ()	
c Cancellation of debt	8c ()	
d Foreign earned income exclusion from Form 2555	8d ()	

What is the Foreign Earned Income Exclusion (FEIE)?

The United States requires tax filers to report their worldwide income on their income tax returns. Most countries require anyone working within their borders to report their local income to be reported on their federal income tax returns. This means that a United States citizen or permanent resident who earns income outside of the United States may be subject to income taxation by two countries. This is a form of double taxation.

The FEIE is designed to eliminate some of this double taxation. Taxpayers who earn income outside of the United States, and who were taxed on that income, can deduct up to \$120,000 (2023 tax year) of their foreign earned income on their Form 1040, Schedule 1, to reduce their AGI and eliminate that income from double taxation. The FEIE is per person, so a married couple who each had excludable foreign income may be able to deduct up to \$120,000 each. And there is a supplemental deduction for housing costs paid for the employer and treated as taxable income that can be claimed and is in addition to the capped directly earned income.

How is This Question Used in the Determination of an Applicant's Title IV Aid Eligibility?

The FEIE has two roles in the determination of an applicant's Title IV Aid Eligibility:

- First, it is treated as untaxed income that is added to the AGI as part of the Total Income calculation.
- Second, it can create a requirement that a financial aid administrator review the application and consider using professional judgment to remove a student's Maximum Pell Grant eligibility, if that eligibility was based on an Adjusted Gross Income (AGI) that is artificially low due to the FEIE removing earned income from it. Applications subject to this review will be flagged with Comment Code 40, 76, 96, or 127, which require resolution. The resolution can be a decision to not use professional judgment to remove the Maximum Pell Grant eligibility, or to do so. See [here](#) for more information.

2023 IRS Tax Return Transcript

Look for "Foreign income exclusion per computer" in the middle of the "Tax and Credits" section of the tax return transcript. This is close to and above the "Education credit per computer" line in the transcript, referenced earlier.

Be careful here. The line immediately following "Foreign income exclusion per computer" looks like the correct line but includes the word "tax" – this is not the correct value to use.

Tax and Credits	
65 or over:	No
Blind:	No
Spouse 65 or over:	No
Spouse blind:	No
Standard deduction per computer:	\$0.00
Additional standard deduction per computer:	\$0.00
Tax table income per computer:	\$187,021.00
Exemption amount per computer:	\$0.00
Taxable income:	\$187,021.00
Taxable income per computer:	\$187,021.00
Total positive income per computer:	\$220,665.00
Tentative tax:	\$31,760.00
Tentative tax per computer:	\$31,760.00
Form 8814 additional tax amount:	\$0.00
Tax on income less Social Security income per computer:	\$0.00
Form 6251 alternative minimum tax:	\$0.00
Form 6251 alternative minimum tax per computer:	\$0.00
Foreign tax credit:	\$0.00
Foreign tax credit per computer:	\$0.00
Foreign income exclusion per computer:	\$0.00
Foreign income exclusion tax per computer:	\$0.00
Excess advance premium tax credit repayment amount:	\$0.00
Excess advance premium tax credit repayment verified amount:	\$0.00
Child & dependent care credit:	\$1,046.00
Child & dependent care credit per computer:	\$1,045.80
Credit for elderly and disabled:	\$0.00
Credit for elderly and disabled per computer:	\$0.00
Education credit:	\$0.00
Education credit per computer:	\$0.00
Gross education credit per computer:	\$0.00

How Did the FAFSA Simplification Act and the Future Act Change the Treatment of the Foreign Earned Income Exclusion?

For many years before the FAFSA Simplification Act was enacted and implemented, the FEIE was specifically excluded from the income to be reported on the FAFSA. The image below is from the 2023-2024 FAFSA. It shows how the instruction for the “other untaxed income” question on the FAFSA, a question that was removed from the FAFSA by the FAFSA Simplification Act, showing this exclusion of the FEIE as untaxed income.

Other untaxed income not reported in items 41a through 41g, such as workers' compensation, disability benefits, and untaxed foreign income not earned from work. Also include the untaxed portions of health savings accounts from IRS Form 1040 Schedule 1—line 13. **Don't include** extended foster care benefits, student aid, earned income credit, additional child tax credit, welfare payments, untaxed Social Security benefits, Supplemental Security Income, Workforce Innovation and Opportunity Act educational benefits, on-base military housing or a military housing allowance, combat pay, benefits from flexible spending arrangements (e.g., cafeteria plans), foreign income exclusion or credit for federal tax on special fuels.

The FAFSA Simplification Act changed this by defining the FEIE as an untaxed income item that must be reported by FAFSA contributors and must be added to the AGI as untaxed income in the SAI calculation.

How Did the July 4, 2025 Reconciliation Act Change the Treatment of the FEIE?

The July 4, 2025 Reconciliation Act changed the income that will be used to determine eligibility for Maximum and Minimum Pell Grants from just AGI to AGI plus the FEIE. As a result, the requirement that financial aid administrators review each application flagged with Comment Codes 40, 76, 96, or 127 has been removed for aid years 2026-2027 and later. See [here](#) for information about this requirement in 2025-2026.

IRA Deductions and Payments to Self-employed SEP, SIMPLE, and Qualified Plans

2023 IRS Tax Return:

Schedule 1, line 16 plus Schedule 1, line 20

IRA deductions and payments to self-employed SEP, SIMPLE, and qualified plans									
\$									
IRS Form 1040 Schedule 1: total of lines 16 + 20									

Schedule 1 (Form 1040) 2023		Page 2
Part II Adjustments to Income		
11	Educator expenses	11
12	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106	12
13	Health savings account deduction. Attach Form 8889	13
14	Moving expenses for members of the Armed Forces. Attach Form 3903	14
15	Deductible part of self-employment tax. Attach Schedule SE	15
16	Self-employed SEP, SIMPLE, and qualified plans	16
17	Self-employed health insurance deduction	17
18	Penalty on early withdrawal of savings	18
19a	Alimony paid	19a
b	Recipient's SSN	
c	Date of original divorce or separation agreement (see instructions):	
20	IRA deduction	20

2023 IRS Tax Return Transcript

Look for the "Adjustments to Income" section of the transcript. The relevant transcript lines are "Keogh/SEP contribution deduction" and "IRA deduction per computer", which are added together to get the correct answer to this FAFSA question.

Adjustments to Income	
Educator expenses:	\$0.00
Educator expenses per computer:	\$0.00
Reservist and other business expense:	\$0.00
Health Savings Account deduction:	\$0.00
Health Savings Account deduction per computer:	\$0.00
Moving expenses (Form 3903):	\$0.00
Self-employment tax deduction:	\$0.00
Self-employment tax deduction per computer:	\$0.00
Self-employment tax deduction verified:	\$0.00
Keogh/SEP contribution deduction:	\$0.00
Self-employment health insurance deduction:	\$0.00
Early withdrawal of savings penalty:	\$0.00
Alimony paid SSN:	
Alimony paid:	\$0.00
Scholarship/Fellowship excluded:	\$0.00
IRA deduction:	\$0.00
IRA deduction per computer:	\$0.00

How is This Question Used in the Determination of an Applicant's Title IV Aid Eligibility?

This is untaxed income that is added to the AGI as part of the Total Income calculation.

How Did the FAFSA Simplification Act and the Future Act Change the Definition of the IRA Deduction and Payments to Self-employed Plans Question?

The definition of IRA Deduction and Payments to Self-employed Plans was not changed in this law.

How Did the July 4, 2025 Reconciliation Act Change the Definition of the IRA Deductions and Payments to Self-employed SEP, SIMPLE, and Qualified Plans?

The definition of these FAFSA values was not changed in this law.

Tax-exempt Interest Income

2023 IRS Tax Return
Form 1040, line 2a

Tax exempt interest income									
\$									
IRS Form 1040: line 2a									

Income Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld. If you did not get a Form W-2, see instructions.	1a	Total amount from Form(s) W-2, box 1 (see instructions)				1a	218,351
	b	Household employee wages not reported on Form(s) W-2				1b	
	c	Tip income not reported on line 1a (see instructions)				1c	
	d	Medicaid waiver payments not reported on Form(s) W-2 (see instructions)				1d	
	e	Taxable dependent care benefits from Form 2441, line 26				1e	
	f	Employer-provided adoption benefits from Form 8839, line 29				1f	
	g	Wages from Form 8919, line 6				1g	
	h	Other earned income (see instructions)				1h	
	i	Nontaxable combat pay election (see instructions)		1i			
	z	Add lines 1a through 1h				1z	218,351
Attach Sch. B if required.	2a	Tax-exempt interest	2a	b Taxable interest		2b	2,314
	3a	Qualified dividends	3a	b Ordinary dividends		3b	

2023 IRS Tax Return Transcript

This FAFSA data element appears near the top of the "Income" section of the tax return transcript.

Income	
Total wages:	\$218,351.00
Form W-2 wages:	\$218,351.00
Taxable interest income (Schedule B):	\$2,314.00
Tax-exempt interest:	\$0.00
Ordinary dividend income (Schedule B):	\$0.00
Qualified dividends:	\$0.00
Refunds of state/local taxes:	\$0.00
Alimony received:	\$0.00
Business income or loss (Schedule C):	\$0.00
Business income or loss (Schedule C) per computer:	\$0.00

How is This Question Used in the Determination of an Applicant's Title IV Aid Eligibility?

The Tax-exempt interest income is untaxed income that is added to the AGI as part of the Total Income calculation.

How Did the FAFSA Simplification Act and the Future Act Change the Definition of the Tax-exempt Interest Income Question?

The definition of Tax-exempt Interest Income was not changed in this law.

How Did the July 4, 2025 Reconciliation Act Change the Definition of the IRA Deductions and Payments to Self-employed SEP, SIMPLE, and Qualified Plans?

The definition of Tax-exempt Interest Income FAFSA values was not changed in this law.

Appendix 1 – Obtaining Tax Return Transcripts

How Do I Request a Tax Return Transcript?

There are four ways to obtain a copy of your TRT. The quickest way is to use the IRS's online *Get Transcript* tool, which allows taxpayers to download their transcripts as protected pdf files in real time. Before this tool can be accessed, however, a taxpayer must create an ID.me account (see next question), which can take some time and is complicated.

Taxpayers can also request transcripts in these ways without setting up an ID.me account:

- Completing and mailing in a paper [IRS Form 4506-T-EZ](#) (for a tax return transcript) or [IRS Form 4506-T](#) (for the tax return transcripts and other available transcripts).
- Using the [online Get Transcript by Mail](#) tool that is similar to completing Form 4506-T but does not require mailing in the paper form
- Requesting a transcript by calling the automated phone transcript service at 800-908-9946. This is equivalent to filling out Form 4506-T verbally.

How Do I Set Up an ID.me Account So That I Can Get a PDF Version of My Transcript?

The Federal Government partners with ID.me to allow citizens to access their records at many federal agencies, including the Social Security Administration, Veteran's Administration, and the IRS. If a person has set up ID.me with any federal agency, the same ID will work for the other federal agencies.

Individuals who do not already have an ID.me account can create one through the IRS's website, starting [here](#). The process involves an identity verification step that can be done on-line using a self-service matching process where the individual uses their phone or computer camera to share their face and a valid government ID in the same frame, or through a live video call with an ID.me representative.

What Transcripts are Available and How Might Each be Useful to a Financial Aid Administrator?

The IRS offers four transcripts and a *Verification of Non-filing Letter*.

- The **Tax Return Transcript (TRT)** is valid for V1 and V5 verification of FAFSA Tax Data and contains all of the income data on a FAFSA that needs to be verified. The TRT contains data from the tax return as filed but may include changes made by the IRS during the processing of the original return. These changes can include corrections to math or rounding errors, changes to incorrectly claimed deductions or credits, and corrections of other errors that the IRS may discover by crosschecking the tax return as-filed against other information it may have in its records (prior year tax returns, W-2s and other income statements, etc.)

If the IRS changes a tax data element in the TRT, the changed value will be indicated by the phrase "per computer" and is the correct value to use to correct data reported in the FAFSA.

FAAs are required to use the TRT as their V1 Verification document if the FA-DDX did not transfer tax data into the FAFSA, and the contributor did not keep the tax return as filed with the IRS.

Important Note: Data that was transferred directly from the IRS into the FAFSA using the FA-DDX is considered the most accurate data available and should be used even if the TRT shows a different value. The FA-DDX does pull in "per computer" amounts when they are available. If there is FTI in a contributor's section of the ISIR, then you should not correct it with TRT data.

- The **Wage and Income Transcript** provides data from forms sent to the taxpayer (and the IRS) to document the various types of income the taxpayer received during the year. Summaries of Forms W-2, 5498, 1098-T, and various 1099s and K-1s, among other forms will appear here.

The Wage and Income Transcript can be collected if the FAA needs a contributor's W-2s when they are required but the contributor is unable to provide them. A contributor's W-2s are required when an applicant has been selected for V1 or V5 verification and any of the following unusual situations exist:

- The contributor filed a tax return using the married-filing-jointly status but only one of the taxpayers on the jointly filed return is required to contribute to the FAFSA. In this case, the W-2s of the FAFSA contributor are required for verification. The non-contributor's W-2s are not required.

If you are concerned that you have not received all of the W-2s from the FAFSA contributor, ask them to obtain their Wage and Income Transcript from the IRS. All issued W-2s will be reflected there

- The contributor had not filed their tax return for the base year when the FAA requested it, and is able to provide documentation that the IRS has extended their filing deadline beyond the October 15 extension deadline
- The contributor did not keep a copy of their tax return as filed with the IRS, and the IRS told the contributor that they cannot find their tax return and/or is unable to produce a TRT for them.

The Wage and Income Transcript may be useful to resolve conflicting information related to the Income Earned from Work question if the FAA suspects that the Income Earned from Work values in the FAFSA are incorrect or the Income Earned from Work in the tax return has not been fully reported.

- The **Tax Account Transcript** provides the taxpayer with a running set of transactions used to calculate their current outstanding tax bill for the year – or their outstanding refund. Its primary purpose is to track each year's tax payments and liabilities.

If a taxpayer files an amended return (Form 1040-X) or the IRS makes a change to the taxpayer's tax record for the tax year, the Tax Account Transcript will contain four data elements from the changed return: Exemptions, Filing Status, Adjusted Gross Income, and Taxable Income.

- The **Verification of Non-Filing Letter** is treated as a transcript and can be requested using the transcript request processed mentioned above. It serves as proof that the IRS did not have a tax return on file for the individual for the tax year in question. Receipt of a Verification of Non-Filing Letter does not mean that the individual will not file a tax return in the future, nor does it mean that the individual is not required to file a tax return. It only means that on the day the letter was produced, the IRS has not processed a tax return for the individual for the tax year in question.

Prior to the implementation of the FA-DDX in the 2024-2025 aid year, FAAs were required to collect a Verification of Non-Filing Letter from all contributors to a V1 or V5 selected application who reported on the FAFSA that they did not and will not file a tax return, except for dependent students. This requirement was eliminated after the implementation of the FA-DDX for FAFSA contributors who are subject to the IRS's tax authority and is currently only required of contributors to selected applications from the United States territories and foreign countries who did not file a tax return, with the continued exception of dependent students.

Appendix 2 – The Department of Education’s 2023 Tax Line Matrix

This table specifying the lines on the tax forms where V1 and V5 FAFSA tax data that must be verified appears can be found on page 54 the 2025-2026 *Application and Verification Guide*.

Item	2023 IRS Form 1040 (or 1040-NR)
AGI	Line 11
Income earned from work*	Line 1z + Schedule 1: Lines 3 + 6
U.S. income tax paid	Line 24
Untaxed portions of IRA distributions (excluding rollovers)	Lines 4a minus 4b
Untaxed portions of pensions (excluding rollovers)	Lines 5a minus 5b
IRA deductions and payments	Schedule 1: Lines 16 + 20
Tax exempt interest income	Line 2a
Education credits	Line 29 + Schedule 3: Line 3
Foreign income exempt from federal taxation	Schedule 1: Line 8d
*Note: Negative values should be set to zero when calculating Income Earned from Work. For example, if IRS Form 1040, line 1z is \$50,000 and Schedule 1, line 3 is -\$10,000, the income earned from work value should be \$50,000.	

Appendix 3 – 2025-26 FAFSA Verification-IRS Tax Return Transcript Matrix

ED has provided a comprehensive document listing the lines on the tax transcript for each FAFSA tax item that is subject to V1 or V5 verification. This document can be found [here](#) and is reproduced below.

This document includes the following important information about using the tax return transcript when reviewing applications:

- Note 3 - An IRS Tax Return Transcript does not include information from an amended tax return.
- Note 4 - *The Per Computer amount must be used for verification even if it is different than what was reported by the tax filer to the IRS.* The Field Guide uses this convention.
- Note 5 - "VERIFIED AMOUNT" - *This amount should be ignored for purposes of verification.*
- Note 7 - *The FA-DDX is the first authority in the hierarchy of IRS tax documentation for federal student aid purposes. Other documentation from the IRS, such as applicant-provided tax returns, is secondary to the FA-DDX.*

Also note that the typo in Note 2 is in the document available online and was not introduced by Iron Bridge when producing the *Field Guide*.

2025-26 FAFSA Verification-IRS Tax Return Transcript Matrix				
2025-26 FAFSA Information Requiring Verification	2025-26 FAFSA Q# (Student, Student Spouse, Parent, and Parent Spouse)	2025-26 ISIR Field# (Student, Student Spouse, Parent, and Parent Spouse)*	2023 IRS Tax Return Transcript Item	2023 IRS Form/Schedule and Line #
Adjusted Gross Income	20h, 28h, 38h, 45h	Manually entered: 95, 155, 205, 245 FTI: 864, 884, 904, 924	Adjusted Gross Income	IRS Form 1040 (or 1040-NR)—Line 11
Income Earned From Work	20b, 28b, 38b, 45b	Manually entered: 89, 149, 199, 239 FTI: 867, 887, 907, 927	[Total Wages] + [Business Income or Loss (Schedule C)] + [Farm Income or Loss (Schedule F)]	IRS Form 1040 (or 1040-NR)—Line 12 + Schedule 1 Line 3 + Schedule 1 Line 6 Disregard negative values, set at 0.
Income Tax Paid	20i, 28i, 38i, 45i	Manually entered: 96, 156, 206, 246 FTI: 868, 888, 908, 928	Total Tax Liability TP Figures If taxes paid is negative, enter "0" (zero)	Form 1040—Line 24
Education Credits	20l, 28l, 38l, 45k	Manually entered: 99, 158, 209, 248 FTI: 869, 889, 909, 929	Refundable Education Credit + Education Credit	IRS Form 1040—Line 29 + Schedule 3 Line 3
IRA Deductions and Payments	20k, 28j, 38k, 45j	Manually entered: 98, 157, 208, 247 FTI: 871, 891, 911, 931	KEOGH/SEP Contribution Deduction + IRA Deduction Per Computer	IRS Form 1040—Schedule 1: Lines 16 + 20
Tax Exempt Interest Income	20c, 28c, 38c, 45c	Manually entered: 90, 150, 200, 240 FTI: 872, 892, 912, 932	Tax-Exempt Interest	IRS Form 1040—Line 2a
Untaxed Portions of IRA Distributions	20d, 28d, 38d, 45d	Manually entered: 91, 151, 201, 241 FTI: 870, 890, 910, 930	Total IRA Distributions minus Taxable IRA Distributions. Exclude rollovers.	IRS Form 1040—Lines 4a minus 4b If negative, use zero. Exclude rollovers.
Untaxed Portions of Pensions	20f, 28f, 38f, 45f	Manually entered: 93, 153, 203, 243 FTI: 873, 893, 913, 933	Total Pensions and Annuities minus Taxable Pension/Annuity Amount. Exclude rollovers.	IRS Form 1040—Lines 5a minus 5b If negative, use zero. Exclude rollovers.
Foreign Income Exempt from Federal Taxation	20p, 28n, 38p, 45o	Manually entered: 103, 161, 213, 251 FTI: Not received via FA-DDX	Foreign Income Exclusion	IRS Form 1040—Schedule 1: Line 8d
Notes				
<p>*ISIRs contain fields for both financial information that is manually entered, as well as financial information received via the direct data exchange (FA-DDX) with the IRS. Manually entered = Financial information that must be entered manually by a contributor. Federal Tax Information (FTI) = Financial information that is received directly from the IRS. When FTI is transferred to the FAFSA form via the FA-DDX, it is considered verified, while information not transferred from the IRS may be subject to verification.</p>				
The 205-26 FAFSA Verification-IRS Tax Return Transcript Matrix is applicable only for U.S. IRS tax return filers (IRS Form 1040, and applicable Schedules) and includes only the tax return items required by the Department to be verified for 2025-26.				
IRS Tax Return Transcript—Shows most line items from a tax filer's original tax return (Form 1040 and applicable Schedules). An IRS Tax Return Transcript does not include information from an amended tax return.				
PER COMPUTER—Previously included on IRS Tax Returns, was a value calculated by the IRS that sometimes displays for certain items on an IRS Tax Return Transcript. The Per Computer amount must be used for verification even if it is different than what was reported by the tax filer to the IRS.				
"VERIFIED AMOUNT" - This amount should be ignored for purposes of verification.				
Married Filing Separately—An applicant or an applicant's parent(s) who filed or will file his or her income tax return as "Married Filing Separately" or who is married to someone other than the individual included on a joint tax return must provide separate IRS Tax Return Transcripts for each person whose information is included on the FAFSA form.				
This matrix reflects the FTI provided by the IRS via the FA-DDX. The FA-DDX is the first authority in the hierarchy of IRS tax documentation for federal student aid purposes. Other documentation from the IRS, such as applicant-provided tax returns, is secondary to the FA-DDX.				