

23-24 Extenuating Tax Circumstances

Filing extensions. Because the FAFSA form uses prior-year tax data, even individuals who have an automatic six-month extension by the IRS should have completed their tax return by the time of verification. Therefore, they must verify income and tax information either by using the IRS Data Retrieval Tool or by submitting an acceptable tax return or transcript to the institution. Only students (and spouses if applicable) and parents granted an extension beyond six months may submit the following for verification:

- a copy of the IRS's approval of an extension beyond the automatic six-month extension for tax year 2021;
- verification of non-filing (see non-tax filers for more information) from the IRS dated on or after October 1, 2022;
- copies of all their W-2 forms (or equivalent) for 2021 employment income; and
- if self-employed, a signed statement with the amounts of their AGI and U.S. income tax paid 2021.

The school may require those with a filing extension to use the DRT or submit to your school a tax transcript or return after it has been filed. If you do that, you must reverify the income information. For a person called up for active duty or qualifying National Guard duty during a war, another military operation, or a national emergency, a school must accept a statement from the person certifying that he or she has not filed an income tax return or a request for a filing extension because of that service.

Joint return filers who are no longer married. When a dependent student's parents filed a joint return and have separated, divorced, married someone else, or been widowed, the student must submit a tax transcript or return and a copy of each W-2 form for the parent whose tax information is on the FAFSA form. Similarly, an independent student must submit a tax transcript or return and a copy of his or her W-2 forms if he or she filed a joint return and is separated, divorced, or a widow.

For non-tax filers schools must receive a W-2 form for each source of 2021 employment income and a signed statement certifying that the person has not filed and is not required to file a 2021 tax return. The school must also obtain a signed statement giving the sources and amounts of the person's income earned from work not found on W-2s. Students may sign on a nonfiling spouse's behalf.

For residents of the Freely Associated States (the Republic of the Marshall Islands, the Republic of Palau, or the Federated States of Micronesia), a copy of the wage and tax statement from each employer (substitute for W-2s) and a signed statement identifying any other employment income for the year not identified on the wage and tax statement is acceptable. Persons from a U.S. territory or commonwealth or a foreign country who are not required to file a tax return can provide a signed statement certifying their income.

The school must also require the person (except dependent students) to submit a "Verification of Nonfiling (VNF) Letter" from the IRS dated on or after October 1, 2022, attesting that he or she did not file a 2021 IRS tax return. The nonfiler can get this by sending IRS Form 4506-T and checking box 7. Also acceptable is other IRS documentation that clearly states the IRS does not have a tax record for the year, such as a return transcript with the message "no record of return filed" or "no transcript on file." Messages that aren't as clear, such as "could not be processed," are not acceptable alternatives.

Persons subject to foreign tax codes would submit a comparable document. Note that verification of nonfiling only shows that a person did not file a tax return, not that he or she was not required to file one.

Individuals who can't get a VNF letter from the IRS (or other tax authority) may instead submit a signed statement if the school has no reason to question the student's or family's good-faith effort to acquire the letter. Form 4506-T states that most requests are processed within 10 business days, so at least that amount of time should elapse before schools resort to a signed statement. Also, since a VNF must be dated on or after October 1, 2022, the statement cannot be signed and used before that date.

The statement must assert that the person attempted but was unable to get the VNF. For non-tax filers, the statement must also confirm that they have not filed and are not required to file a tax return for the relevant year, and it must list the sources and amounts of income earned from work. For extension filers, the statement must also confirm that they have not yet filed a return for the tax year and must list the sources and amounts of income; if they are self-employed, it must include the amount of AGI and U.S. income tax paid. Note that in both cases—for non-tax filers and extension filers—the other required documentation (e.g., W-2 forms) must still be provided.

For filers of non-IRS tax returns, the school may accept a transcript from a government of a foreign nation or a U.S. territory or commonwealth that has all the filer's income and tax data to be verified. Or you may accept a copy of the tax return, which must be signed by the filer or one of the filers of a joint return. Use the income and tax data that most closely corresponds to what is on the IRS tax return and convert monetary amounts into U.S. dollars as appropriate. If you question the accuracy of the information on the signed copy of the return, the filer must provide you with a copy of the tax account information issued by the tax authority

Filers of amended returns. Students or parents who file an amended return (IRS Form 1040X) can use the DRT though the ISIR will show an IRS Request Flag value of 07. Because the tax return transcript does not reflect changes to the original return by the filer or the IRS, it is by itself not sufficient. So when an amended return was filed, you must submit any changes to nondollar items and to single monetary items of \$25 or more. To complete verification, you will need a signed copy of the 1040X form that was filed as well as either

- IRS DRT information on an ISIR record with all the information from the original tax return; or
- any IRS transcript (which does not have to be signed) that includes all the income and tax information required to be verified or a signed copy of the tax return and applicable schedules.

Note that there may be instances when a student, spouse, or parent did not file a 1040X with the IRS but had their tax and income information amended by the IRS. In such a case a school may accept one of the items mentioned above plus documentation showing the IRS's change(s).

Victims of identity theft who cannot get a return transcript or use the DRT submit a Tax Return Database View (TRDBV) transcript as well as a signed and dated statement indicating that they were victims of tax-related identity theft, and that the IRS is aware of it. They do this by calling the IRS's Identity Protection Specialized Unit (IPSU) at 800- 908-4490. After the IPSU authenticates the tax filer's identity, he or she can ask the IRS to mail the TRDBV transcript, which is an alternate paper transcript that will look different than a regular transcript but that is official and can be used for verification. Unless you doubt its authenticity, you don't need to get an IRS signature or stamp or any other validation. Those who cannot obtain a TRDBV transcript may instead submit a copy of the tax return or another official IRS transcript or equivalent IRS document if it includes all the income and tax information required to be verified. Note that filers must first attempt to get a TRDBV before they can use a copy of the tax return or another transcript. Then, if the school has no reason to doubt the victim of identity theft or the accuracy of the document, it can be used to complete verification.