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## MEMORANDUM FOR ACCOUNTS MANAGEMENT AND FIELD ASSISTANCE FIELD DIRECTORS

FROM: Ivy McChesney /s/ *Ivy S. McChesney*  
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SUBJECT: Interim Guidance on Department of Education (ED)  
Procedures

This memorandum issues guidance on Department of Education (ED) procedures until the appropriate IRM section is identified to house this information and is published. Please ensure that this information is distributed to all affected employees within your organization.

### **Background**

College bound students applying for financial aid through the Department of Education's (ED) Free Application for Student Aid (FAFSA) use a tool developed by IRS and the Department of Education (ED). The tool is internally known as Federal Student Aid-Datashare (FSA-D), and externally known as the IRS Data Retrieval Tool (IRS DRT). There are two parts to FSA-D:

- FOTW (FAFSA on the Web)
- e-App tool: includes IBR (Income Based Repayment), Income Contingent Repayment (ICR), and Pay as You Earn (PAYE) Plans.

### **Free Application for Federal Student Aid (FAFSA)**

1. The taxpayer could be a student, parent of a student, or the spouse of a student applying for financial aid.
2. IRS DRT retrieves tax return information for the respective school year. Taxpayers can select whether or not to transfer the tax return information into the student loan application.
3. If taxpayers contact the IRS when they encounter problems with the tool, follow the instructions outlined in the table below.

<b>If</b>	<b>Then</b>
<p>The taxpayer requests technical support to resolve an error message (technical difficulties, data not found) or a broken link issue</p>	<p>Refer the taxpayer to 1-800-4FED-AID.</p> <p>Note: Do not attempt to provide any technical support.</p>
<p>The taxpayer cannot authenticate (entries do not match IRS records) and requests entity information</p> <p>Note: IRS DRT error message is “Your entries do not match IRS records.”</p>	<p>Follow Disclosure guidelines as outlined in IRM 21.1.3.2.3, <i>Required Taxpayer Authentication</i>, and provide the requested information.</p> <p>Note: If there is an Identity Theft indicator or the assistor suspects Identity Theft, refer to the section titled, “Transcript Requests with Identity Theft Issues.”</p>
<p>The taxpayer requests a tax account or tax return transcript</p>	<p>Follow IRM 21.2.3.1 (4), <i>Transcripts Overview</i>.</p>
<p>The taxpayer is unable to obtain tax information and requests support</p> <p>Note: IRS DRT error message is “Unable to provide the federal income tax information”</p>	<p>Follow Disclosure guidelines as outlined in IRM 21.1.3.2.3, <i>Required Taxpayer Authentication</i>, and provide requested information.</p> <p>Note: If there is an ID Theft indicator or the assistor suspects ID Theft, refer to the section titled, “Transcript Requests with Identity Theft Issues.”</p>

4. While completing the student loan application, taxpayers are given the option of accessing the IRS DRT so individual tax information can be populated into the FAFSA. Assistors can provide specified line amounts from the processed return. This information includes, but is not limited to:
- Type of return
  - Number of Exemptions
  - Adjusted gross income
  - Income tax after credits "Per Computer" figures on Command Code (CC) RTVUE
  - Tax exempt interest income
  - Non-refundable Education Credit

5. Some of the questions on the FOTW require calculations that are not on the tax return transcript as a singular item. These calculations are NOT to be done by assistors, but rather, done by the taxpayer. However, you can provide specific line item information from the tax return needed for the taxpayer to calculate the FOTW field. Fields include:
  - Income Earned From Work (IEFW) = wages, plus business income, plus farm income
  - Individual Retirement Account (IRA) Deductions = IRA payments, plus Self-Employment Retirement Plan deductions
  - Untaxed IRA Distributions = Gross IRA distributions, minus taxable IRA distributions
  - Untaxed pension portions = Gross pension/annuity, minus taxable pension/annuity

**Note:** DO NOT complete any calculations as the student needs to make those calculations. Offer to order a transcript, if applicable.

### **Transcript Requests with Identity Theft Issues**

1. The Department of Education established a verification process for applicants who cannot secure a return transcript from the IRS due to Identity Theft issues.
2. If taxpayers have an ID Theft indicator on their account, additional authentication is required per IRM 21.1.3.2.4, *Additional Taxpayer Authentication*.
  - a. Direct taxpayers to the school's financial aid office or to the ED Helpdesk, 1-800-4FED-AID.
  - b. Explain to taxpayers that their financial aid office will advise them of alternate documentation to provide.
3. If taxpayers have no ID theft indicator on their account, but an assistor suspects identity theft, additional authentication is required; per IRM 21.1.3.2.4, *Additional Taxpayer Authentication*.
  - a. Direct taxpayers to file a Form 14039, Identity Theft Affidavit, with supporting documentation.
  - b. Input an ID theft pending claim indicator (TC 971, AC 522), per IRM 10.5.3-12, *TC 971 AC 522 Tax-Related Identity Theft, Case Status (Initial Claim/Suspicion and Supporting Documents)*.
  - c. Do not issue a return transcript. Direct taxpayers to the school's financial aid office or to the Ed Helpdesk, 1-800-4FED-AID. Explain to taxpayers that their financial aid office will advise them of alternate documentation to provide.

### **Amended Returns**

According to the Department of Education, taxpayers who file an amended return are strongly encouraged **not** to use the DRT because there is not an easy line-by-line transcript that shows the changes made by an amended return. For income verification purposes, ED has directed taxpayers to provide the following:

- a signed photocopy of their originally filed tax return, or a tax return transcript, or a record of account transcript, **AND**
- a signed copy of their Form 1040X, *Amended U.S. Individual Income Tax Return*

**Adjusted Gross Income**

1. The taxpayer is identified as a borrower of a student loan who is applying for a repayment plan.
2. The IRS deployed an enhancement to the FSA-D application to include repayment plans. While FSA-D retrieves tax return data for successfully authenticated student loan applicants, the new functionality retrieves only the adjusted gross income (AGI) of successfully authenticated borrowers applying for a repayment plan (IBR, ICR, PAYE) through the ED’s StudentLoans.gov website.
3. The AGI for the requested tax year or one previous tax year is retrieved. For example, for 2011, the IBR tool will first check tax year 2011 and provide the 2011 AGI if it is available. If the 2011 data is not available, the IBR tool will check and return the 2010 AGI if that year is available. If neither year is available, the applicant will receive a message indicating that no data was found. Follow the instructions in the table below.

<b>If</b>	<b>Then</b>
The applicant requests technical support to resolve an error message (unable to provide the federal income tax information, technical difficulties, data not found) or a broken link issue.	Refer the applicant to ED’s Direct Loan Applicant Services Center at 1-800-557-7394.  Note: Do not attempt to provide any technical support.
The applicant cannot authenticate (applicant entries do not match IRS records) and requests entity information.	Follow Disclosure guidelines as outlined in IRM 21.1.3.2.3, <i>Required Taxpayer Authentication</i> , and provide requested information.

	Note: If there is an ID Theft indicator or the assistor suspects ID Theft refer to the section titled, "Transcript Requests with Identity Theft Issues."
The applicant requests AGI figures after receiving the message "No Data was found."	Follow Account/Refund Inquiry procedures as outlined in IRM 21.4.1, <i>Refund Research</i> .  Note: The AGI data provided through the IBR is the same data IRS has on file.

**Effect on Other Documents:** This guidance will be incorporated into IRM 21, Customer Account Services, by February 20, 2014.

**Effective Date:** March 13, 2013

**Contact:** If you have any questions, please contact Rosemary Rixey (SE:W:CAS:PCS) at 412-926-8474 or via email at [rosemary.rixey@irs.gov](mailto:rosemary.rixey@irs.gov).

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