

College Goal Sunday Advanced Training

An Overview of Unique Situations
and Commonly Asked Questions.

Tax Situations

- **If someone is going to do itemized deductions but they don't make over \$100,000, do they still qualify to use a 1040EZ or 1040A?**
 - Itemizing deductions requires the use of a 1040.

- **Is child support considered income?**
 - Child support is considered untaxed income. The “child support received” box must be checked and this will open up the field to report the total amount received for the year in question.

- **If a parent dies, does a death benefit payment from a union qualify as income for the purpose of the FAFSA? If so, whose asset is it?**
 - Retirement account balances, such as pensions or 401(k), and Life Insurance are not reported as assets. However, any income distributed to the beneficiary must be reported as income.
 - If this income or a portion of it is taxable, it will be part of the Adjusted Gross Income. If the income or a portion of it is untaxed, the applicant must report it as such.

Assets

- The family's home should NOT be reported as an asset under "net worth of investments," nor should a family farm (family lives on and operates the farm) or family owned business with fewer than 100 employees be reported under "net worth of business and/or investment farms."

- Certain other types of investments do NOT have to be reported under net worth of investments, such as the value of retirement plans, non-education IRAs, annuities, life insurance or pension funds.
- However, investments DO include other real estate, 529 college savings plans and Coverdell savings accounts, trust funds, UGMA and UTMA accounts, money market funds, certificates of deposit, stocks, stock options and bonds.

Dependency Status

- **Regarding students' dependency status, “Married or separated (but not divorced),” how do you determine if the student would be considered dependent or independent?**
 - A student who might otherwise be dependent (e.g., not a veteran; not 24 by December 31 of the academic year; etc.) would be independent if he is currently married or separated. However, if he is divorced and doesn't meet any other criteria, he will be required to provide parental data. For example, this might happen when the student has been married and then divorced before age 24.

- **What is the difference between legal custody and legal guardianship?**

- The FAFSA defines legal guardianship as determined by a court in the student's state of legal residence. Answer 'Yes' if you can provide a copy of a court's decision that as of today (or immediately before you reached the age of being an adult in your state) you are in legal guardianship by someone other than your parent(s).
- Answer 'No' if you are still a minor and the court decision is no longer in effect or the court decision was not in effect at the time you became an adult."

- **What are the requirements of emancipation?**
 - For the FAFSA, a student is considered “emancipated” if he or she “can provide a copy of a court’s decision that as of today you are an emancipated minor.” Also answer ‘Yes’ if you can provide a copy of a court’s decision that you were an emancipated minor immediately before you reached the age of being an adult in your state.
 - Answer ‘No’ if you are still a minor and the court decision is no longer in effect or the court decision was not in effect at the time you became an adult.”

- **If a student has not yet joined the military, can they answer that they intend to do so within the award year to be considered independent?**

- No. An applicant must be currently serving on active duty or be a veteran to qualify as an independent student.

- For financial aid, a veteran is defined as having served at least 1 day of active duty for purposes other than training AND have an other than dishonorable discharge.

- **If a student is supporting someone else's child that is not their own, will this qualify for independent status?**
 - Yes, if the student applicant is providing more than half of the support (includes money, gifts, loans, housing, food, clothes, car payments, or expenses, medical and dental care, and payment of school costs) for that person who now lives with the student and will continue to do through the end of the academic year.
 - These requirements are true if the child is their child as well.

- **If a student chooses to live on their own after turning 16, does that make them an emancipated minor?**
 - No, not unless they can provide a copy of a court's decision that they are an emancipated minor. If not an emancipated minor, and they do not meet one of the criteria for independent status, but they left the parents' home due to an unusual situation, they should contact their college financial aid office about a dependency override.

- **Can a student be considered independent if they live on their own and support themselves, though they don't meet one of the independent criteria on the FAFSA?**
 - No. Self-sufficiency, parent's refusal to complete the FAFSA, or parent's refusal to complete the verification process are not reasons, in and of themselves, that can allow a student to be considered independent. If there exists a unique family situation, they should contact the college financial aid office about a dependency override.

Parent Information

- Student should complete the parent section with the information of the parent he/she lived with the most during the last calendar year.
- If that parent is remarried, student MUST also provide the step-parent's information regardless of whether or not step-parent is financially supporting the student.

- One common mistake that leads to a rejected application is reporting parents' marital status as single, divorced, widowed or separated but reporting the income of two parents.
 - This happens when parents are currently divorced, widowed or separated but filed a joint tax return for the previous tax year. In these cases, you should only report information for one parent on the FAFSA.

- **If a parent remarries in the last few months of the year, do both salaries need to be declared?**
 - Yes, the marital status is reported as of the day the FAFSA is filed. Thus, if a parent is married at that time, income and assets for both parent and step-parent must be reported.

- **What do you do if a parent does not have a Social Security number?**

- The parent should enter all zeroes for the Social Security number if none exists.
 - Remember that a student must have a Social Security number (must be a citizen or eligible non-citizen) in order to file the FAFSA, unless that student is from the Republic of the Marshall Islands, the Federated States of Micronesia, or the Republic of Palau.
 - Those students must enter “888,” and the remainder of the field will be completed during processing.

- **When would one use adoptive parent's income on a FAFSA?**
 - If a student was adopted prior to the age of 13, he/she would use the adoptive parent(s)' income in the parent section of the FAFSA, or if that adoptive parent is married to the custodial parent of the dependent student.

- **How do you determine whose taxes to use if the student lives with one parent six months of the year and with the other parent six months of the year?**
 - FAFSA states “Report the information of the parent with whom you lived the most during the 12 months preceding the date you completed the FAFSA. It does not make a difference which parent claims you as a dependent for tax purposes. If you did not live with either parent or lived equally with each parent, provide the information for the parent from whom you received the most financial support during the preceding 12 months, or the parent from whom you received the most support the last time support was given.”

Thank You

- Thank you for taking the time to review this presentation. Hopefully, it has provided some guidance for some of the more complicated issues of applying for financial aid.
- Thank you for your time and dedication to assisting students to meet their educational goals!