

*From the desk of...*

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## **Conflicting Information in a Post-FAFSA Simplification World**

Now that we are starting our third year of the FAFSA Simplification era and the Future Act Direct Data Exchange (FA-DDX), I've been thinking about conflicting information.

During the chaotic launch of FAFSA Simplification, we were given a lot of confusing guidance about FA-DDX data and unexpected behaviors within the FAFSA Processing System (FPS). This created pain points for Financial Aid Administrators (FAAs) that we are still dealing with. There were so many changes that it was tough to know where the final guidance landed. I've been thinking about this, and wonder whether we might start thinking about some processing a bit differently.

Now, as a taxpayer, I am all for FAAs checking lots of FAFSAs for conflicting information to avoid awarding more aid than the applicant is eligible for. But as FAAs, we are only required to check applications if Federal Student Aid (FSA) (1) selects them for verification, or (2) defines something as conflicting information (like comment codes 283 and 284), or (3) if we have information from outside the FAFSA that suggests that data being used is incorrect (which could lead to an incorrect allocation of financial aid).

Are FAAs reflexively defining certain FAFSA issues as conflicting information without external data suggesting the data is incorrect? I think some may be, and it may be possible to reduce the amount of conflicting information reviews as a result.

For example, FSA has been clear that there is no inherent conflicting information in an ISIR if a contributor has manually entered income tax data, even when the FA-DDX returns an IRS Response Code of 214, indicating that the IRS does not have a tax return for 2024 on record for the contributor. We do not need to review manual tax data for accuracy unless the applicant is selected for V1/V5 verification, or there is some reason other than the fact that the data was manually entered to suspect that it is not accurate. I call this "the presumption-of-accuracy-in-the-absence-of-a-reason-to-doubt-a-FAFSA-answer's-correctness". Let's call it "the presumption-of-accuracy" for short.

And I have been thinking – are there other situations where we could give manually entered data the presumption-of-accuracy where we might not currently be doing so?

**Let's start with an easy one.**

In an application in which we have both data from the FA-DDX (known as Federal Tax Information, or FTI), and manual data, if the manual data are exactly the same as the FTI, I do not think we need to review the file for conflicting information. Our goal when considering conflicting information is to

make sure we have no reason to doubt that the applicant's eligibility for Title IV aid can be correctly determined. Yes, the manual data are the data being pulled into the eligibility calculations by the FPS, so technically the FTI is not being used in the calculations. But they are exactly the same as the FTI, which we assume is accurate, so the SAI and Pell eligibility that is being calculated using manual data is exactly the same as it would be if the FTI were being used. We have no reason to think we are getting an inaccurate SAI or Pell eligibility determination as a result. I don't see conflicting information here that requires use to determine why the contributors provided manual data – it simply does not matter.

**Moving on, let's consider some situations involving joint tax returns and individual contributors.**

Let's say we have an ISIR with FTI from a jointly filed tax return (meaning there are two taxpayers on one return). But the contributor's marital status in the FAFSA is divorced, separated, or widowed (meaning only one of the taxpayers on the joint return is a contributor to the FAFSA). And – this is the important additional piece of information for this example – let's imagine that we have manually entered data in the ISIR that has different values from the joint tax return, which suggests that the contributor understood that they needed to manually enter their share of the income from that joint return into the FAFSA.

Most FAAs I've talked to about this situation, both when doing my on-site tax trainings or talking one-on-one, have said that the manual data needs to be treated as possibly incorrect because it is different from the FTI, and therefore needs to be checked for accuracy. I really don't think we need to go that far.

**Let me build my argument step-by-step.**

First, if we did not have the joint tax return data in the FTI section of the ISIR, and only had manually entered data, we might accept the manually entered data as accurate under the presumption-of-accuracy, especially if the contributor reported using a filing status other than married-filing-jointly.

Second, if we did not have manual data, we WOULD HAVE conflicting information that needs to be resolved because without manual data, the only income information we have includes the non-contributor's income, which should not be included in the SAI calculation or the Pell eligibility determination. The SAI and Pell eligibility should be based on only the divorced, separated, or widowed contributor's share of the joint income. We always need to ask them to use the FAFSA correction process to give us their share of the joint data, or to give us enough information so we could split out the contributor's share for them. Either way, this is a conflicting information situation that FAAs should look for, and address in all cases.

Now – let's get back to the initial situation: joint tax return, one contributor, contributor provided manual FAFSA data. Since we know that the joint tax return data is not the correct data to use, and we have manually entered data that is different from the joint tax return, I believe we may have the presumption-of-accuracy and can assume that the manual data was entered correctly. Of course, if the student had been selected for V1 or V5, we would have to review it. But in the absence of V1/V5 and no other reason to question that the contributor manually entered their share of the tax data accurately, I see no difference in the quality of their data than any other manual data.

**Next let's look at what happens when a contributor has filed an amended return.**

Since the FA-DDX brings data from the contributor's tax return as filed and processed into the FAFSA, which means we don't get data from an amended tax return from the IRS, contributors who have amended their tax return are required to report their amended tax return data manually using the FAFSA correction process. Many FAAs I have discussed this with believe that the mention of an amended return creates conflicting information that requires a review of the manual data provided by a contributor in all cases. I believe, in some cases, the opposite is actually true.

So, let's look at an ISIR that has manual data and FTI. The data are different. And the ISIR does not contain an explanation of why the contributor added manually entered tax data to the FAFSA. At this point in this discussion, I think we do have conflicting information that needs to be resolved. Minimally, we need to ask them why they provided manual data. We know that the FPS is using the manual data to calculate the student's eligibility for Title IV aid and expect the FTI are the correct data to use.

Here's where I think FAAs might go further than necessary: if the contributor tells us that they have amended their tax return for 2024 and entered manual data from the amended return into the FAFSA, I think we have resolved the conflicting information. I believe the manual data they entered enjoys the presumption-of-accuracy, and that we do not need to collect the relevant 1040-X to check that the manual data were entered correctly. Once we determine a reason that the FTI are not the correct data for the aid eligibility calculations (they have been superseded by an amended tax return) and the contributor did what they were supposed to and entered the amended return data into the ISIR, I see no reason to go further (outside of V1/V5 verification) to check their entries. As earlier, I think they should get the same presumption-of-accuracy we give other manually entered data in non-selected applications.

Now, if we asked a contributor who entered manual data into an ISIR with FTI and their reason for doing so was not permitted (i.e., they entered data from a 2025 tax return because they figured it would give them or their child more aid), then we have conflicting information that needs to be resolved. In this case, we'd need to collect a signed copy of the contributor's 2024 tax return or a tax return transcript and use data from that form to correct the manual data, even though we have the correct data in the FTI section of the ISIR.

Why is this? Why are we collecting a "paper" document when we already have the correct values in the FTI section of the ISIR? Remember, the use of FTI is restricted and FTI must be clearly labeled with the code CUI//SP-TAX (Controlled Unclassified Information/Specified Tax) wherever it appears, so that anyone viewing it knows that it is FTI. We cannot take data out of the CUI//SP-TAX labeled fields and move them to unlabeled fields, as this will de-label the FTI. Stripping FTI of its labeling like this is a violation of the IRS Code, as a viewer of that data would not know that it was sourced from the IRS and is FTI. Be careful here!

Finally, if you do not have manual data and learn that a contributor has amended their tax return, or if you determine that their tax return has an error in it and the data from the incorrect tax return are leading to incorrect eligibility determinations, you do need to pause your processing until you have amended tax return data to work with.

I would love to hear from you about whether you agree or disagree with my thinking that sometimes, we have a presumption-of-accuracy in manually entered tax data even when we have FTI. And if you have other examples where this presumption might come into play, feel free to email me at [robert@ironbridgeresources.com](mailto:robert@ironbridgeresources.com) with your thoughts.