

# PROTECTING FEDERAL TAX INFORMATION (FTI) AT YOUR INSTITUTION

---

Alexis Osemwegie

Training Officer

June 8, 2023

**BETTER  
FAFSA<sup>®</sup>**  
**BETTER FUTURE**

**Federal Student Aid**

An OFFICE of the U.S. DEPARTMENT of EDUCATION

# BETTER FAFSA® BETTER FUTURE SERIES

---

- ✓ 6/6: Better FAFSA® Better Future Overview and Timeline
- ❑ 6/8: Protecting Federal Tax Information (FTI) at Your Institution
- ❑ 6/13: ISIR vs. ISIR
- ❑ 6/15: Professional Judgment, Dependency Status, and Verification
- ❑ 6/20: Q&A Session 1
- ❑ 6/22: Student Aid Index Part 1
- ❑ 6/27: Student Aid Index Part 2
- ❑ 7/6: Pell Minimum, Maximum, and In Between
- ❑ 7/11: The FAA's Role in FAFSA Simplification
- ❑ 7/13: Q&A Session 2
- ❑ Summer: FAFSA Demonstration

# AGENDA

---

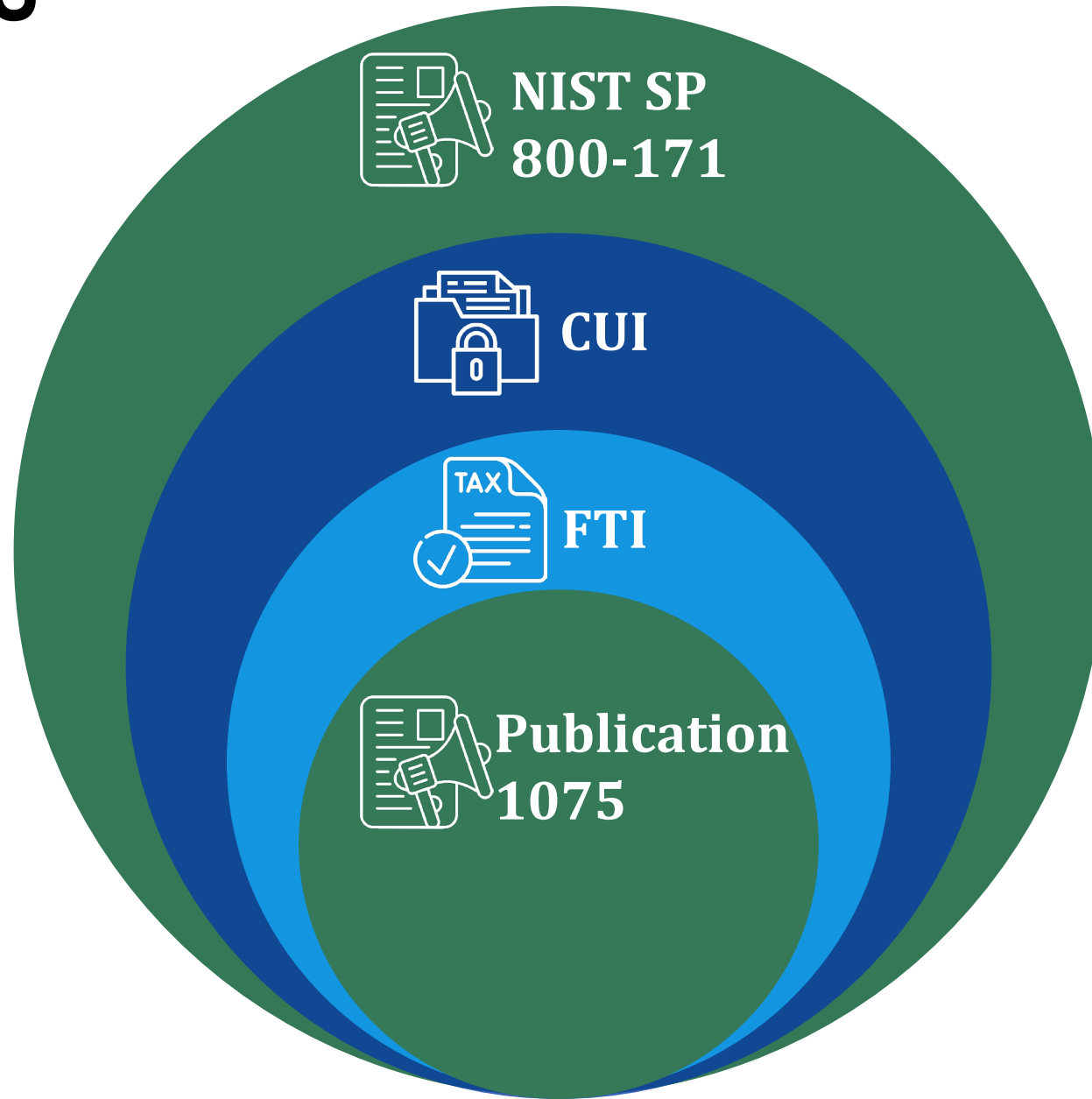
1. Federal Tax Information (FTI)
2. FUTURE Act Direct Data Exchange (FADDX)
3. FTI Consent to Disclose
4. Protecting FTI

# FEDERAL TAX INFORMATION (FTI)

---

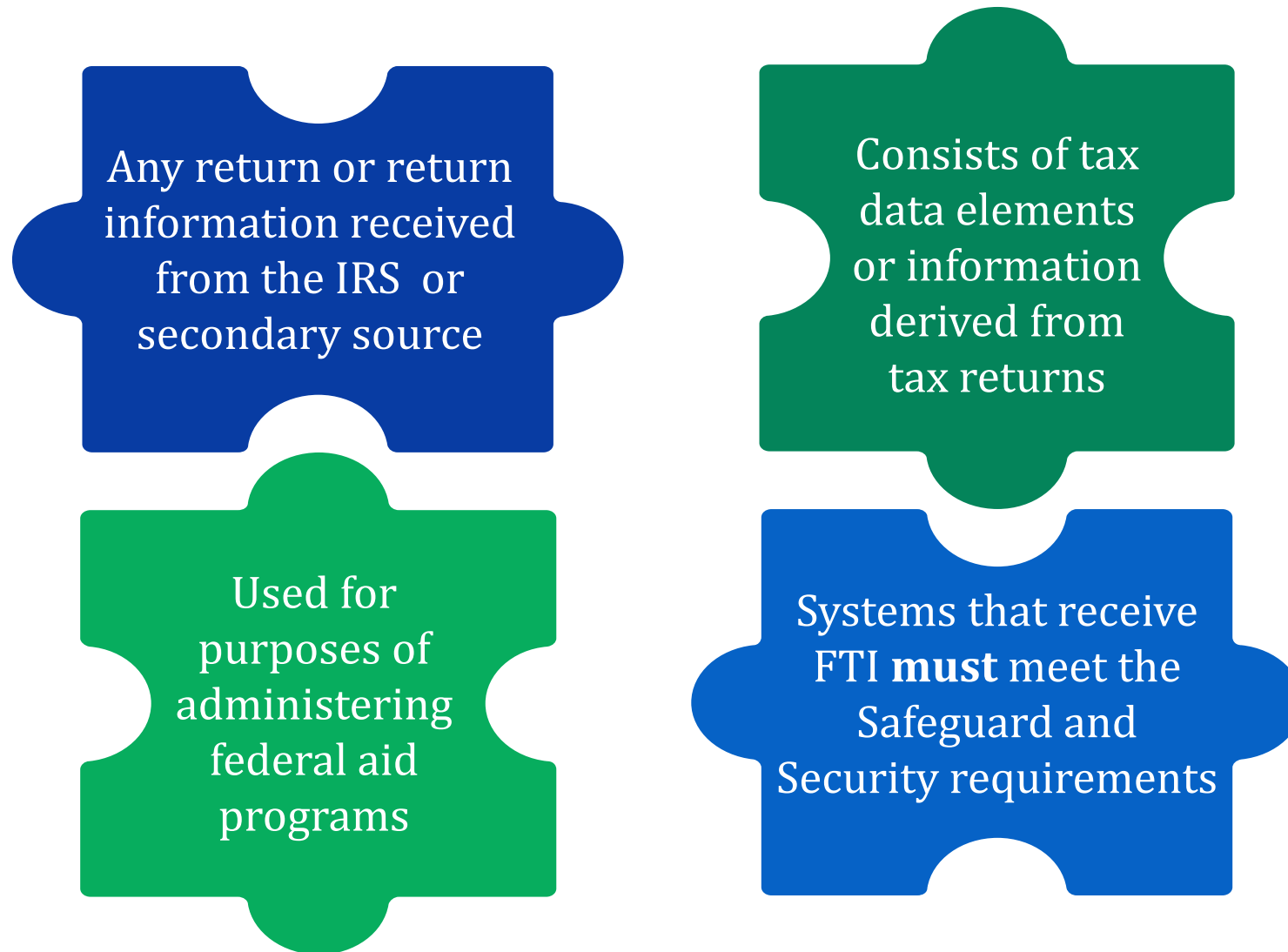
# FTI BASICS

---



# FTI

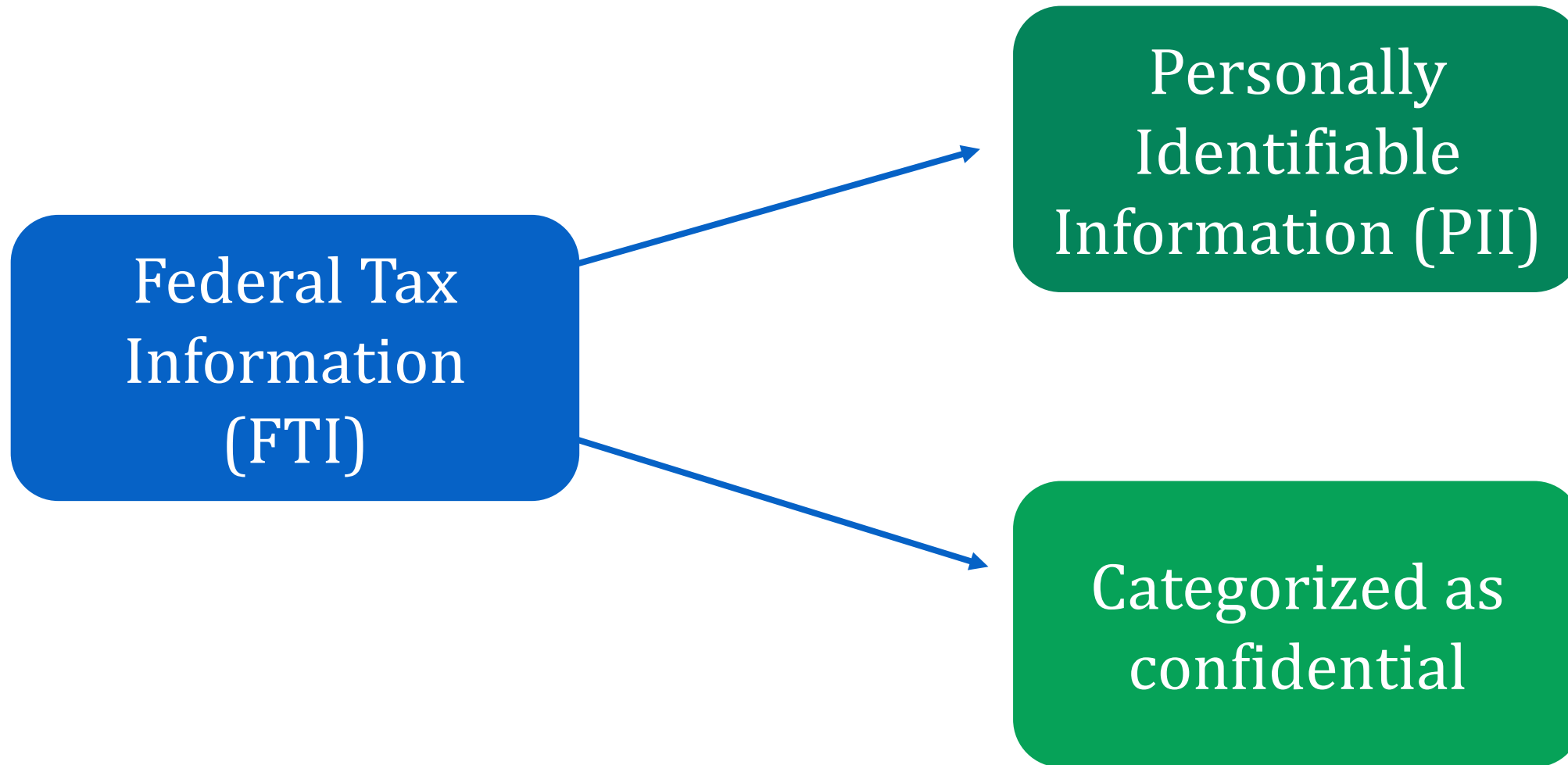
---



*Tax information manually supplied by taxpayers is NOT considered FTI by the IRS*

# FTI CHARACTERISTICS

---



# AUTHORIZED USES OF FTI

---

*FUTURE Act* authorizes FSA to receive FTI data for:



**The FAFSA<sup>®</sup> form**

Determine eligibility for and amount of federal student aid



**Income-Driven Repayment (IDR)**

Determine eligibility and repayment obligations for income-driven repayment plans



# FTI CONTRIBUTORS

*\*All contributors need an FSA ID to provide online consent*

---

- Applicant
- Applicant's parent(s)
  - Only for dependent applicants
- Applicant's spouse
  - Only if taxes are not filed jointly

*\*Contributors without a social security number are asked to provide their Individual Taxpayer Identification Number (ITIN)*



# USING FTI DATA – FAFSA AND IDR

---



## FTI DATA FOR FAFSA

Used to determine student eligibility for *Title IV*, state, institutional aid programs

- Requires consent of all FAFSA contributors
- Consent is FAFSA-year specific



## FTI DATA FOR IDR

Used to apply/recertify for income-driven repayment program (IDR)

- Annual automatic recertification of eligibility determination
- May revoke consent; alternative documentation of income (ADOI) or (re)consent required

# FAFSA SPECIFIC FTI DATA ITEMS

---

- Tax year
- Tax filing status
- Adjust Gross Income (AGI)
- Number of exemptions and dependents\*
- Income earned from work
- Taxes paid
- Educational credits
- Untaxed IRS distributions
- IRA deductible and payments
- Tax exempt interest
- Untaxed pension amounts
- Schedule C net profit/loss
- Indicators for Schedules
- IRS Response Code

*\*Tax return no longer includes exemptions*

# FTI DATA - IRS RESPONSE CODE

IRS Response Code indicates status of tax filer with IRS



**Tax filer and FTI provided to Federal Tax information Module (FTIM)**  
IRS has valid record of FTI contributor(s)



**Not found at the IRS**  
IRS does not have record of tax return transcript submission



**Found and a non-filer**  
Contributor's demographic information is present from previous year, but no current record of tax submission



**IRS unable to provide information**  
IRS has contributor's tax transcript, but FTI not released

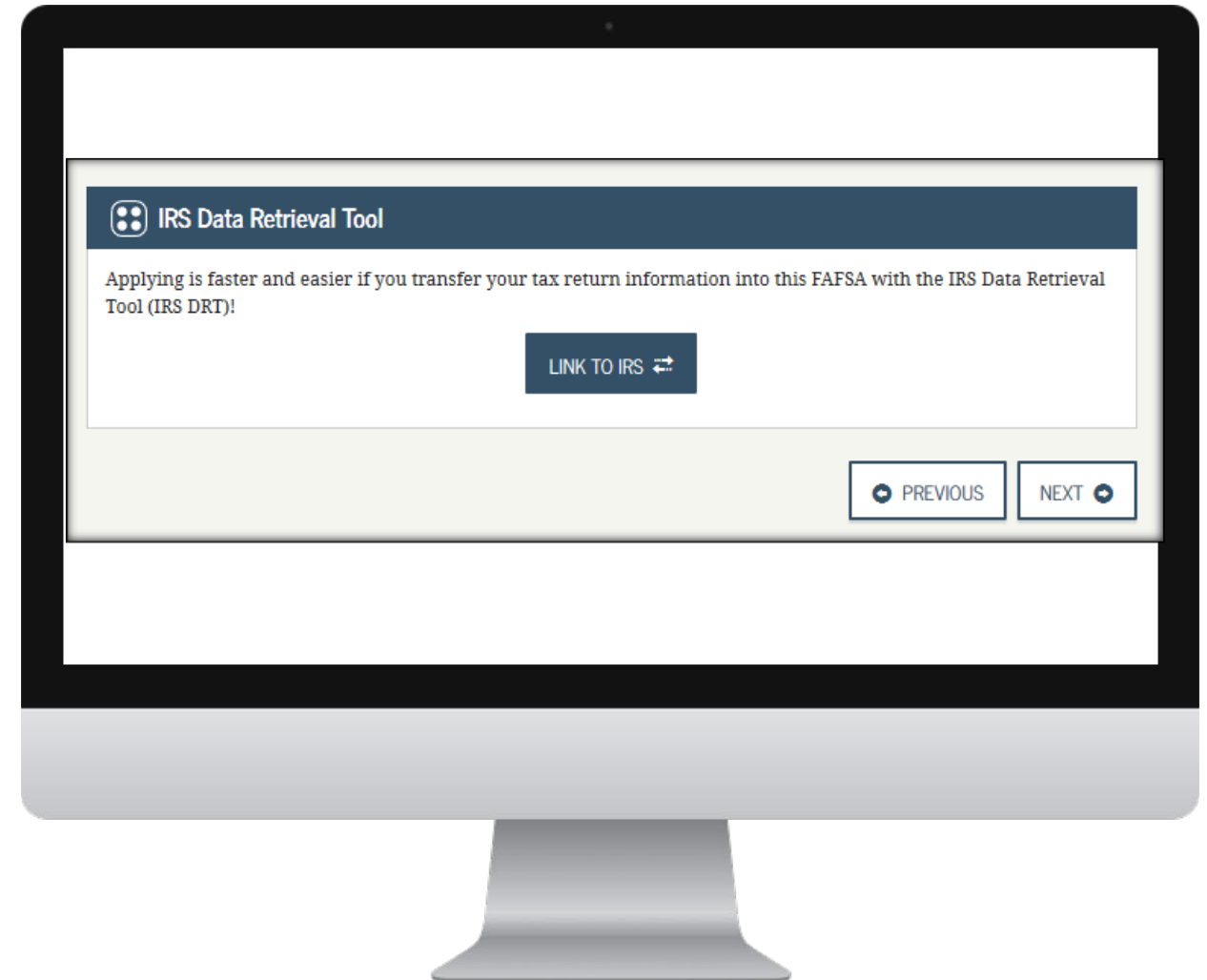
# FUTURE ACT DIRECT DATA EXCHANGE (FADDX)

---

# IRS DATA RETRIEVAL TOOL (DRT)

*Last used 2023-24 award year*

- Developed in the early 2000s
- Designed to allow students and parents to import tax return data
- Allows the taxpayer to transfer their data from the IRS to FSA



# FUTURE ACT DIRECT DATA EXCHANGE (FADDX)

Internal Revenue Code (IRC) amended to authorize FSA to receive individuals' FTI *directly* from IRS

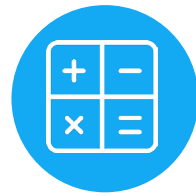


# HOW FTI DATA IS PROCESSED

---



Data retrieved  
from IRS



Federal Tax  
Information  
Module calculates  
the Student Aid  
Index (SAI)



Federal Tax  
Information  
Module sends  
Student Aid Index  
and intermediate  
values to FPS



Schools receive  
FTI on Student  
Information  
Record (ISIR)\*

*\*Provided upon approval and consent of the contributor(s)*



# FTI DATA ON THE ISIR

FTI block has 4 subgroups

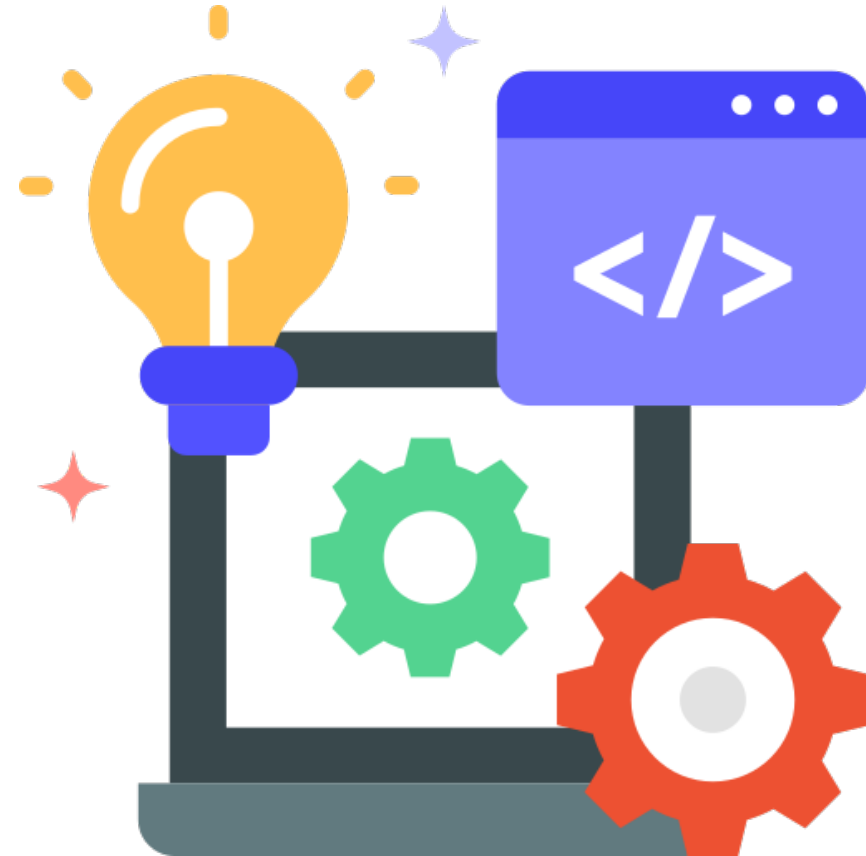
- Student
- Student Spouse
- Parent
- Other Parent

#	FAFSA #	Start	End	Length	Field Name	Valid Content
<b>Student FTI-M Information</b>						
934	N/A	6999	7048	50	Filler	For Federal Student Aid use only
935	N/A	7049	7059	11	FTI label start	Exact string: "CUI//SP-TAX"
936	N/A	7060	7063	4	Returned tax year	Year in format: "CCYY"
937	N/A	7064	7064	1	Filing status code	1 - Single 2 - Married-Filed Joint Return 3 - Married-Filed Separate Return 4 - Head of Household 5 - Qualifying Widow(er)
938	N/A	7065	7073	9	Adjusted Gross Income	-999999999 - 999999999 <Blank>
939	N/A	7074	7075	2	Number of exemptions	0 – 99
940	N/A	7076	7077	2	Number of dependents	0 – 99
941	N/A	7078	7088	11	Total income earned amount	0000000000 – 9999999999 <Blank>
942	N/A	7089	7097	9	Total tax paid amount	000000000 - 999999999 <Blank>

[Draft 2024–25 ISIR Record Layout](#)

# STUDENT AID INTERNET GATEWAY SOFTWARE UPGRADE

- Must be installed to receive 2024-25 ISIRs
- Used for all award years
- Increased security for authentication of FTI-SAIG authorized users



# FTI SAIG MAILBOX

---

Partners enrolled to receive ISIRs must

- Inform appropriate leadership teams of impending change
- Enroll for an FTI SAIG mailbox
- Sign an updated agreement
- Install upgraded software



# FTI CONSENT TO DISCLOSE

---

# FTI CONSENT- FAFSA



Contributor(s) must consent for ED to use their FTI



Consent includes authorization to redisclose FTI to IHE\*, state higher education agency, and designated scholarships organizations



Only ED may obtain approval and consent to use FTI

*\*FTI shall not be shared with any other entity without explicit written consent of applicant unless as permitted under [IRC 6103\(l\)\(13\)\(D\)](#).*

# FTI CONSENT PROCESS - FAFSA

---

Contributors must agree to:

1. Department's use of disclosure of their information (e.g. name and Social Security number) to match with IRS
2. Disclosure of their federal tax information (FTI) by the IRS to the Department
3. Use of their FTI by a Department official to determine applicant's eligibility
4. Redisclosure of FTI by the department to eligible institution, state higher education agency, and designated scholarship organizations.

*Schools or other entities are not permitted to obtain approval and consent on behalf of FAFSA contributors for the use of disclosure of FTI*

# FAFSA FTI CONSENT REVOCATION

---

FTI consent **cannot** be revoked after it has been given for that FAFSA cycle



# CORRECTING FTI – PROFESSIONAL JUDGMENT

In **limited** circumstances fields can be entered manually\*



Conflict between marital status and tax filing status



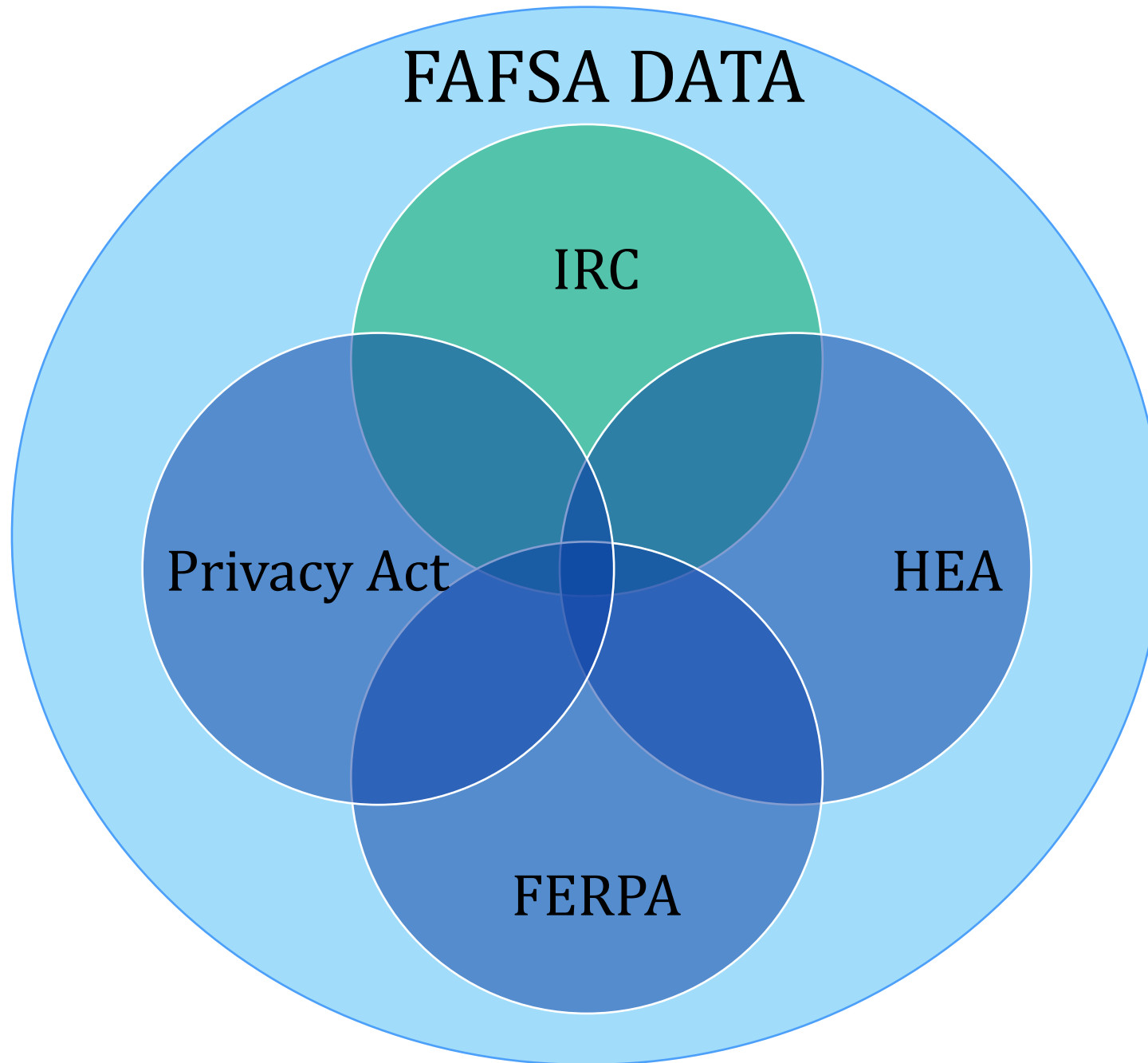
IRS unable to provide FTI

*\*For IRS purposes FTI is never changed and manually provided information never overwrites FTI received from the IRS*



# FAFSA AND FTI DATA

---



# FAFSA DATA VS. FTI DATA

---



## FAFSA DATA

All data and information provided by a contributor (including parent(s) or spouse) on the FAFSA.

- Personally-Identifiable Information (PII) (e.g., name, SSN, address, etc.)
- Dependency status, other financial information (non FTI), and college information
- Includes data that is derived from the FAFSA (e.g., EFC/ SAI, Pell eligibility)



## FTI DATA

Includes federal tax information for any contributor on the FAFSA (i.e., applicant, parent(s), and spouse).

- Any data provided by the IRS to the Department
- Includes IRS response codes
- Includes the existence or non-existence of FTI data

# USE CASE #1A - REDISCLASURE

---

**Can FAFSA Data (including FTI) be  
rediscovered to the student?**

Yes. All the information in the student's complete, unredacted FAFSA Submission Summary (FSS), including any return information, may be rediscovered to the student.



# USE CASE #1B - REDISCLASURE

---

**Can FAFSA Data (including FTI) be redisclosed to a student-chosen scholarship organization?**

Yes. The information in a complete, unredacted FSS, including any return information, may be redisclosed to a scholarship organization of the student's choosing with the student's express written consent.





# USE CASE #2 - RESEARCH

---

## Can FAFSA Data (including FTI) be used for research?

Institutions and state higher education agencies may use FAFSA data, excluding FTI information, for research that does not release individually identifiable information (PII) on any applicant for purposes of promoting college attendance, persistence, and completion.



# USE CASE #3 - CONTRACTORS

---

**Can institutions/ state higher education agencies share/ disclose FAFSA data (including FTI) with their contractors?**

Yes, FAFSA data (including FTI) may be further disclosed to contractors but only to the extent necessary in carrying out the application, award, and administration of financial aid awarded by federal, institutional, state, or designated scholarship organizations.



# PROTECTING FTI

---



# AUTHORIZED PERSON

---

## [IRC § 6103\(l\)\(13\)\(E\)](#)

ED officer, employee, or contractor specifically authorized and designated by the Secretary for purposes of:

- Income-Driven Repayment (IDR) applications/recertifications
- Total and Permanent Disability (TPD) loan discharges
- Federal student financial aid



# CONTROLLED UNCLASSIFIED INFORMATION

---

Federal Tax Information (FTI) is considered Controlled Unclassified Information (CUI)

- CUI contains sensitive PII
- CUI is information that:
  - Requires safeguarding
  - Requires dissemination controls
  - Is not classified



# SAFEGUARDING FTI

---

[IRC § 6103\(l\)\(13\)\(D\)\(iii\)](#); [NIST Special Publication 800-171](#)

- Appropriate receipt, handling, marking, and safeguard of CUI data
- IHE and TPS should use NIST SP 800-171 guidance to effectively safeguard FTI
- Upcoming updates to Program Participation Agreements (PPA), Student Aid Internet Gateway (SAIG)



*Violations of Section 6103(l) of the IRC are criminal and civil*

# SAFEGUARDING FTI- CUI MARKINGS

---

- ❑ Must retain CUI//SP-TAX labeling of FTI wherever data is stored
- ❑ Labels must be present when FTI is inspected or used
- ❑ Federal aid applicant's ISIR will include (2) FTI label fields:
  - FTI Label Start at the **beginning**: 'CUI//SP-TAX'
  - FTI Label End near the **end**: 'CUI//SP-TAX'
  - OR-
  - It may accompany each individual FTI data element

# CUI MARKINGS- EXAMPLES

#	FAFSA #	Start	End	Length	Field Name	Valid Content
<b>Student FTI-M Information</b>						
934	N/A	6999	7048	50	Filler	For Federal Student Aid use only
935	N/A	7049	7059	11	FTI label start	Exact string: "CUI//SP-TAX"
936	N/A	7060	7063	4	Returned tax year	Year in format: "CCYY"
937	N/A	7064	7064	1	Filing status code	1 - Single 2 - Married-Filed Joint Return 3 - Married-Filed Separate Return 4 - Head of Household 5 - Qualifying Widow(er)
938	N/A	7065	7073	9	Adjusted Gross Income	-999999999 - 999999999 <Blank>
939	N/A	7074	7075	2	Number of exemptions	0 – 99
940	N/A	7076	7077	2	Number of dependents	0 – 99
941	N/A	7078	7088	11	Total income earned amount	0000000000 – 9999999999 <Blank>
1013	N/A	7476	7476	1	Schedule F indicator	1 – Yes 2 – No
1014	N/A	7477	7477	1	Schedule H indicator	1 – Yes 2 – No
1015	N/A	7478	7480	3	IRS response code	Possible values: 200, 203, 212, 214
1016	N/A	7481	7491	11	FTI label end	Exact string: "CUI//SP-TAX"
1017	N/A	7492	7541	50	Filler	FSA Use Only
1018	N/A	7542	7556	15	Student total income	-99999999999 – 99999999999
1019	N/A	7557	7571	15	Parent total income	-99999999999 – 99999999999
1020	N/A	7572	7586	15	FISAP total income	-99999999999 – 99999999999
1021	N/A	7587	7636	50	Filler	FSA Use Only
			<b>7636</b>		<b>Total Field Length</b>	



# FTI AND SCHOOL RESPONSIBILITY



## RESPONSIBILITY OF SCHOOL

- Read and sign SAIG enrollment agreement (Fall 2023)
- Enroll in FTI SAIG mailbox
- Install (upgraded) SAIG software
- Maintain CUI Markings



## WHO SHOULD HAVE ACCESS

**Only** those with an **official** need (for purposes of determining eligibility for and amount of federal, state, and institutional aid) under the under the *Title IV*



## SAFEGUARDING FTI IN YOUR SYSTEM

- Maintain appropriate receipt, handling, marking, and safeguarding of CUI data
- Establish appropriate cybersecurity safeguard

# RISKS OF MISUSING FTI

## IRC §7213

Willful unauthorized **disclosure** of tax return or return information

Felony; fine up to \$5,000, or imprisonment up to 5 years, or both, plus the costs of prosecution

## IRC §7213A

Willful unauthorized **inspection** of tax return or return information

Fine up to \$1,000, imprisonment up to 1 year, or both, plus the costs of prosecution

## IRC §7431

Knowing or negligent inspection or disclosure of tax return or return information by officer or employee in violation of any provision of IRC §6103

Taxpayer may bring a civil action for damages against officer or employee

*FTI received via an ISIR in 2024-25 FAFSA cycle is considered FTI data*

# RESOURCES

---



# RESOURCES

---

- [2024–25 FAFSA Specifications Guide, Volume 4](#) – Record Layouts and Processing Codes in PDF Format, 190 Pages, 2MB
- [IRS Publication 1075](#) – Tax Information Security Guidelines
- [EA ID: GENERAL-23-09](#) – Updates to Gramm-Leach-Bliley Act Cybersecurity Requirements
- [EA ID: General-23-34](#) – Access and Use of Federal Tax Information (FTI) for Federal Student Aid Programs Beginning with the 2024-25 FAFSA Processing Cycle
- [EA ID: GENERAL-23-40](#) – SAIG Software Upgrade for FTI Data Transmission – Preliminary Information for SAIG Software Users
- [NIST Special Publication 800-171](#) – Protecting Controlled Unclassified Information in Nonfederal Systems and Organizations

# KNOWLEDGE CENTER

## [FAFSA Simplification Information](#)

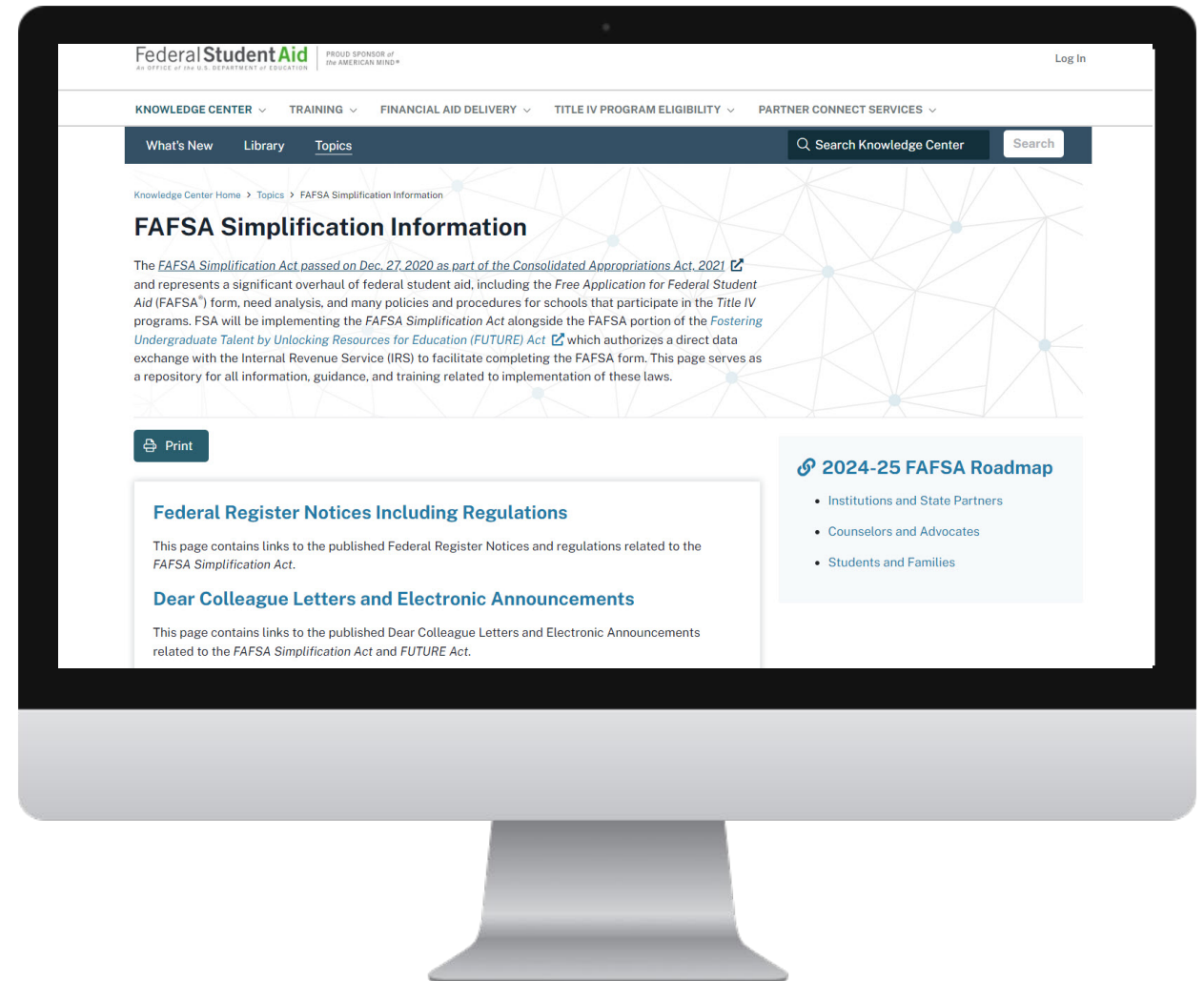
Get the most up-to-date information on implementation in the Knowledge Center “Topics” section.

Subscribe for email updates at Knowledge Center Home!

### Knowledge Center Subscription

Subscribe to get the latest news and updates from the Knowledge Center.

Subscribe



# ISIR VS. ISIR

---

**TUESDAY, JUNE 13**

Join us as we discuss changes to the 2024–25 ISIR resulting from updates to FAFSA® form questions and processing changes.

For a complete list of upcoming webinars, visit the [FSA Training Center](#).



# QUESTIONS?

---



<https://www.surveymonkey.com/r/WWFTI>

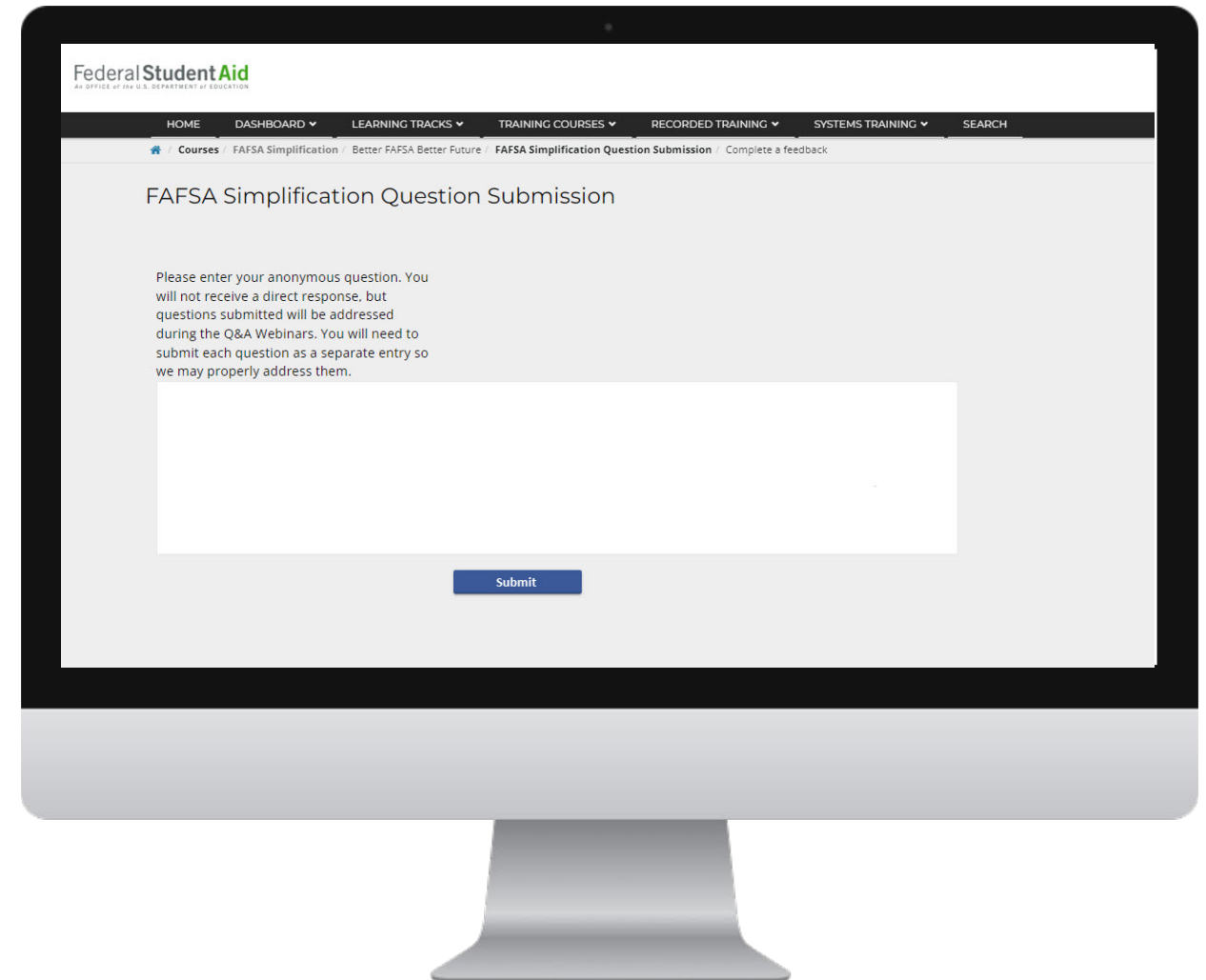
*Survey open until June 8, 2024*



# HAVE MORE QUESTIONS?

You may submit questions not answered during today's webinar on the FSA Training Center's [FAFSA Simplification Training and Resources page](#).

We will address as many submitted questions as possible during our dedicated Q&A webinars on June 20 and July 13.



# FTI PROTECTOR

[Download Your Badge on the FSA Training Center](#)

---

Show your professionalism, understanding and commitment to the importance of guarding Federal Tax Information by adding a badge to your email signature.

As a reward for completing this FTI Training, this credential shows others you are a proud protector of Federal Tax Information and Student Privacy.



**THANK  
YOU!**

**Federal Student Aid**

*An OFFICE of the U.S. DEPARTMENT of EDUCATION*

