

Financial Aid Tax Issues and Recommendations

*Compiled 4.29.15 by Megan Ballard, UIC College Prep
(In all cases, consult IRS, Dept of Ed, and institutional resources for more info - see reverse)*

<ul style="list-style-type: none"> • Parent(s) not required to file taxes (only have income from Social Security, Food Stamps, TANF, WIC, SSI, assistance from family/friends, etc.) 	<p>→ Student may have to complete low-income and/or parent non-filer verification forms to prove how family pays the bills; NOTE: unemployment income is taxable income – if received, most likely need to file taxes</p>
<ul style="list-style-type: none"> • Parent(s) didn't file taxes but should have (earned cash/checks under the table) 	<p>→ Encourage to file taxes as "self-employed", may end up owing money to the IRS because no taxes were taken out, and self-employment taxes higher - but worth it in the long-run!</p>
<ul style="list-style-type: none"> • Parent(s) undocumented and don't file taxes 	<p>→ Can file taxes with ITIN number and SHOULD file taxes in most cases; if they earn cash, may end up owing money to the IRS because no taxes were taken out, and must pay self-employment taxes - but worth it in the long-run!</p>
<ul style="list-style-type: none"> • Parents are married, undocumented. One parent doesn't work and is undocumented so they don't file together 	<p>→ Parents still need to file married; do not claim spouse as a dependent or leave them off taxes completely! (cannot use IRS DRT)</p>
<ul style="list-style-type: none"> • Parent(s) the student lives with don't claim the student 	<p>→ Student should still use the taxes of the parent they LIVE with regardless of who claims them</p>
<ul style="list-style-type: none"> • Parents are Married but file "Head-of-Household" and/or single 	<p>→ Taxes can be rejected and they may have to re-file, delaying student decision timeline and options - should be filing as married!</p>
<ul style="list-style-type: none"> • Parents separated (separate homes, separate lives, not a couple) but still legally married 	<p>→ Use the info of the parent they live with. If they file married, use the wage info of just one parent (cannot use IRS DRT)</p>
<ul style="list-style-type: none"> • Parents unmarried and living together 	<p>→ Use the info of both bio parents. Combine info from both tax returns if both parents work. (cannot use IRS DRT)</p>
<ul style="list-style-type: none"> • Custodial parent remarried 	<p>→ Must count stepparent's income too even if they don't support student financially - marriage is a legal contract</p>
<ul style="list-style-type: none"> • Parents own a business 	<p>→ No need to include on FAFSA if a small family-owned business with less than 100 employees; can get complicated with CSS Profile Schools because value of business must be included</p>

<ul style="list-style-type: none"> • Parents own rental property 	<p>→ Value of property must be included in FAFSA (current value minus debt). If a 2-flat or 3-flat, don't include the floor(s) that are in use by family in FAFSA</p>
<ul style="list-style-type: none"> • Parents own home 	<p>→ Home value not included in FAFSA but need a lot of info about home (purchase price, etc.) for the CSS PROFILE</p>
<ul style="list-style-type: none"> • Student works 	<p>→ Must include student income from work even if they don't file; Must file if earned over \$6,200 (check IRS); either way, student W2 may be required for verification</p>
Resources	
Federal Student Aid Hotline	1800-4-FED-AID
Parent info to Report	https://studentaid.ed.gov/fafsa/filling-out/parent-info
Filing Status	http://www.irs.gov/uac/What-is-My-Filing-Status%3F
Info on Head-of-Household status	http://www.finaid.org/fafsa/headofhousehold.phtml
Do I Have to File a Tax Return?	http://www.irs.gov/uac/Do-I-have-to-File-a-Tax-Return%3F
Free Tax Preparation info	http://taxprepchicago.org/