



PROFESSIONAL JUDGMENT

TOPIC: Fluctuating Parent Income

IM STANDARD TREATMENT

The parents' prior calendar year's income is the basis for the standard IM calculation.

FM STANDARD TREATMENT

The FM standard treatment is the same as the IM.

WHY PROFESSIONAL JUDGMENT MIGHT BE APPROPRIATE

Family income may vary from year to year due to the nature of the parent's employment, such as availability of overtime or sales commissions, or unpredictability of self-employment income. For such families, base year income may not be a good measure of family ability to pay. In cases of a significant and likely permanent change due to a specific event (job loss, etc.) see the Estimated Year Income Tip Sheet.

HOW IM COULD BE ADJUSTED

The aid administrator could collect a minimum of 3 prior year tax returns and average key income and deduction fields, as well as taxes paid. The resulting averages should replace the base year data to compute a revised contribution. The aid administrator may also want to consider the following factors:

- The number of years of tax returns might be dependent on the circumstances. For example, if income fluctuations began four years ago, it might be wise to collect an additional year or two of tax returns.
- In reviewing tax returns, the aid administrator may find trends in individual line items that are more useful than averages. For example, interest and dividend income might increase each year, although income from wages fluctuates.
- An inflation rate might be applied to the prior year's income to convert this income to current dollars.

HOW FM COULD BE ADJUSTED

The FM could be adjusted in the same way as the IM.

HOW COLLEGE BOARD SERVICES SUPPORT PJ

CSS/Financial Aid PROFILE

The PROFILE Application collects three years of parent income—the base (prior) year used in the analysis, the year before the base year, and the projected year. Families are instructed to explain differences in income from one year to the next in Section ES.

DOCUMENTATION

All changes should be documented.

The aid administrator may want to collect:

- Tax returns from the appropriate number of prior years.
- If appropriate, a letter from employer explaining change in overtime policies and opportunities.