



PROFESSIONAL JUDGMENT

TOPIC: Parents' Estimated Year Income

IM STANDARD TREATMENT

IM standard treatment uses reported base year income —the taxed and untaxed income received during the tax year prior to the beginning of the academic year for which the student is applying for aid. Base year income is generally considered to be a valid predictor of annual income for most families, and has the benefit of being verifiable.

FM STANDARD TREATMENT

The FM standard treatment is the same as the IM.

WHY PROFESSIONAL JUDGMENT MIGHT BE APPROPRIATE

Parental income is the most important factor in determining the family's ability to pay. There are situations where the base year income is not indicative of the parents' continuing ability to pay because of a projected significant drop in income. Reasons for decreases in parent income include:

- Death of a parent
- Parent's temporary or permanent disability
- Parent's retirement
- Loss of parent's employment and/or benefits.

HOW IM COULD BE ADJUSTED

There are at least two approaches the aid administrator may wish to consider in cases where the base year income does not reflect ability to pay.

- Reduce the base year income based on documentation of the income or benefit loss. Calculate a new AGI and total income. Federal taxes may need to be recalculated.
- Use expected year taxable and untaxed income from the PROFILE or collect more detailed information using a worksheet (see sample attached). If there is taxable income, federal taxes will need to be calculated.

Aid administrators may want to consider the timing of requests. Some institutions wait to make adjustments in January or impose a waiting period when considering requests.

Also, when the change is due to unemployment and there is uncertainty about the length of unemployment status, the aid administrator may want to make some assumptions of how long

the unemployment will last and what percent of their previous income one would expect them to earn when they become reemployed. For example, the administrator could assume the unemployment status will be 6 months and after 6 months they will be able to earn 80% of what they earned previously. In all cases, include any unemployment benefit they will receive as part of their AGI

HOW FM COULD BE ADJUSTED

The FM could be adjusted in the same way as the IM. Revised AGI and/or untaxed income figures, along with appropriate changes to “federal taxes paid,” can result in a more equitable federal eligibility figure in cases where income is projected to drop sharply.

HOW COLLEGE BOARD SERVICES SUPPORT PJ

CSS/Financial Aid PROFILE

The PROFILE Application collects three years of parent income—the base year used in the analysis, the prior tax year, and the projected year. Families are instructed to explain significant differences in income from one year to the next in Section ES - Explanations/Special Circumstances.

College Board IM Options

An institution using software that utilizes the College Board’s IM may select a global option or use the parents’ or student’s estimated year income in the IM calculation instead of the base year income. Since it is unlikely that an institution will want to do this for all families, it may be more helpful to select the individual override option on a case-by-case basis.

DOCUMENTATION

All changes should be documented.

The aid administrator may want to collect:

- *A Parents’ Estimated Year Income Statement* (see sample attached – update ## to appropriate year references before using). If the expected income is low, the administrator may want to add expenses to the form so income/resources can be compared to expenses.
- Documentation of the termination of income, if appropriate
- Parent’s most recent federal tax return to document the change in income

Student's Name: _____
SSN: _____
Date: _____

PARENTS' ESTIMATED YEAR INCOME STATEMENT

**You have indicated a decrease in parent income in 20##.
Please provide the following information:**

- 1) Date employment ceased (if applicable) _____
- 2) Income earned by mother from January 1, 20## to December 31, 20## \$ _____
- 3) Income earned by father from January 1, 20## to December 31, 20## \$ _____
- 4) Mother's taxable income (other than earned wages) expected from _____ \$ _____
01/01/## to 12/31/## (unemployment compensation, interest income, severance
compensation, etc.)
- 5) Father's taxable income (other than earned wages) expected from _____ \$ _____
01/01/## to 12/31/## (unemployment compensation, interest income, severance
compensation, etc.)
- 6) Parents' untaxed income from 01/01/## to 12/31/## from the following sources:
 - A) Deductible IRA and/or Keogh payments \$ _____
 - B) Payments to tax-deferred pension and savings plans (paid directly \$ _____
or withheld from earnings). Include untaxed portions of 401(K) and 403(B) plans.
 - C) Social Security Benefits \$ _____
 - D) Child Support \$ _____
 - E) TANF/Welfare Benefits \$ _____
 - F) Untaxed portions of pensions (excluding "rollovers") \$ _____
 - G) Other untaxed income and benefits (explain and provide expected \$ _____
amount(s), such as worker's compensation, foreign income exclusion, etc.)

Please provide copies of documentation that support the information that you have provided.

I/We certify that information listed above is a complete and accurate breakdown of all expected income, taxed and untaxed, for the calendar year 20##. I further certify that if any information of the above information changes, I will notify the Financial Aid Office in writing of the changes.

Signature _____ Date _____
Signature _____ Date _____