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The complicated 2020-2021 FAFSA® changes that might affect your financial aid

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Updated upon the release of Senate letter to Secretary of Education, Betsy DeVos

When it comes to the complicated FAFSA® (Free Application for Federal Student Aid) process, FRANK isn't the only party concerned with how the 2020-2021 changes could affect financial aid for students — so is the United States Senate.

This year, FAFSA® made two changes that could affect how you file and how much financial aid you could get.

Unfortunately, the changes could be detrimental to the number of financial aid students receive, mostly due to the 2018 tax reform and how it changed the tax forms needed to file.

Here are the two big changes you need to know about:

Tax Document Changes & Simplified Needs Test Qualification Issues – Includes major changes to the tax document you need to submit, whether you and your family are eligible for the Simplified Needs Test, and the ability to use the IRS Data Retrieval Tool to import tax information.

A decreased Asset Protection Allowance (APA) – A decreased APA means you could qualify for less financial aid next school year because more assets are now included in your income.

Here's a closer look at what each of these changes means.

Change #1: The Tax Documents You Need

In past years, you could submit 1040, 1040 A, and 1040 EZ tax forms, the 1040A and 1040EZ are what would contribute to the eligibility for the Simplified Needs Test. The Simplified Needs Test is the formula that calculates your Expected Family Contribution (EFC) and increases eligibility for financial aid. In the past, families qualified for the Simplified Needs Test based on information from the 1040A and 1040EZ. Now, those forms are no longer relevant.

How did that change?

Now there is only one 1040 form (it consists of two pages, and you need both for the FAFSA®). For those with more complicated tax situations, however, there may also be attached Schedules ranging from 1-6.

The FAFSA® only has questions that are relevant to the 1040 form and Schedules 1-3 (you can already see how this can be confusing). It currently does not have a form that directly qualifies students for the Simplified Needs Test.

How does this affect you?

For students and parents preparing to file this year, these are the documents that will be asked for:

- Both pages of the 1040 form

- Schedules 1-3 (if relevant, not everyone will have these)

- Without the Simplified Needs Test, you could lose out on financial aid

If you don't have your tax documents, [and you're filing with FRANK](#), you'll need to request all your tax documents from the IRS. Once you have them, we can help guide you through the financial aid application process.

For those filing through FAFSA.gov directly, unfortunately, there are more roadblocks to be had. It appears the Data Retrieval Tool, which previously made it easy to transfer tax information into the FAFSA®, may no longer be able to import certain tax information from the new forms.

These changes might only be a few questions on the FAFSA® and some new forms, but they come with a serious impact now that students who previously qualified for the Simplified Needs Test might not.

Change #2: APA Calculation Change

The Asset Protection Allowance (APA) is designed to protect a portion of parent assets that might supplement Social Security retirement benefits. To simplify, rather than including certain assets as part of a parent's overall income, which can increase your Expected Family Contribution (EFC), the government provides for allowances. Particularly for older parents that might be living on limited social security income.

So, what changed?

Unfortunately, one of the changes this year is that the APA decreased ([by about 88% compared to where it was in 2010](#)).

How does this affect your family?

This is one of those changes that you may not even notice. However, if you are a family affected by the change, it could increase your EFC, which might mean you get less financial aid next year. Again, this is all dependent on your family's financial situation.

Why is the Senate concerned about these changes?

In 2018, the government changed the way taxpayers file their 1040 forms. Because of this change, there have been a number of removed or altered questions that create more confusion, and multiple additional tax documents that are now needed for the FAFSA®.

This change was meant to simplify the tax filing process, but what the Department of Treasury failed to realize is how it would complicate filing the FAFSA® and prevent students from qualifying for more financial aid.

The impact could be so severe that there was a senatorial review of the new process, in which a letter was written to Secretary of Education, Betsy DeVos, about the substantial impact it could have on students filing for the 2020-2021 school year.

In the letter, [signed by 10 members of the Senate](#), they say,

"We are very concerned that mistaken answers to the complicated question could lead to eligible students losing access to the Simplified Needs Test. This could delay the completion of their FAFSA® process and discourage families from completing their applications, leading to prospective students not pursuing higher education opportunities... Simplifying the financial aid process and FAFSA® has long been a bipartisan objective, and everyone should be united in addressing this issue as soon as possible."

The question they're referring to is new to the FAFSA and asks, "Did (or will) you file a Schedule 1 with your 2019 tax return? Answer 'no' if you did not file a Schedule 1 or filed a Schedule 1 only to report an Alaska Permanent Fund dividend. See Notes page 9 for other exceptions."

FAFSA® is already a complicated process, made worse by changes that families and students don't expect. This year, it seems, these changes could dissuade families that need financial aid most to abandon the application process entirely.

FRANK is working to further simplify the tax issue to help students and families file correctly. If you're looking for support as you start the application process on October 1st, [file through FRANK](#).

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