

Data Sharing for a Better Customer Experience

The *FUTURE Act* allows the IRS to share data with FSA for increased ease in administering federal student aid programs

In December 2019, Congress passed the *Fostering Undergraduate Talent by Unlocking Resources for Education Act (FUTURE Act)*, which amends Section 6103 of the Internal Revenue Code (IRC) to allow the Internal Revenue Service (IRS) to disclose certain federal tax information (FTI) to Federal Student Aid (FSA). These data can be shared to improve the administration of the *Free Application for Federal Student Aid (FAFSA®)* form, income-driven repayment (IDR) plans, and the total and permanent disability (TPD discharge) program.

Administering the FAFSA form under the FUTURE Act

As FSA implements the *FUTURE Act*, students and parents will have a new experience in completing the FAFSA form. There are multiple considerations when it comes to implementing a *FUTURE Act*-enabled aid application. For example, the FAFSA form uses multiple pieces of FTI to calculate an Expected Family Contribution, including information from parents if the student is a dependent undergraduate. So the IRS can share this information with FSA, all parties whose FTI is included on a student's FAFSA form must provide consent annually. Additionally, the FAFSA form uses tax information from two years prior (e.g. the 2021–22 FAFSA form uses 2019 income information), which may not reflect a student's current financial or family situation. To ensure FSA is capturing accurate data, additional questions may need to be added to the FAFSA form. Finally, in addition to schools, FAFSA information is shared with state agencies and scholarship associations to calculate other student aid. FSA must ensure that this information is appropriately stored and protected in accordance with IRS guidelines.

FSA is also working to ensure the new FAFSA experience benefits its customers by designing solutions to address these challenges. Pending funding, implementation of the new FAFSA solution will be launched in October 2022 for the 2023–24 FAFSA form.

Income-Driven Repayment plans under the FUTURE Act

The *FUTURE Act* will significantly reduce the burden to borrowers who are submitting an IDR application or completing the recertification process, as the law allows FSA and entities providing loan servicing functions to review FTI, validate IDR monthly payment calculations, and trace why and when payment changes occurred. FSA is currently working to reform the current student loan servicing environment, where requirements to implement the *FUTURE Act* will be incorporated. With appropriate funding for Next Gen projects and *FUTURE Act* implementation, FSA expects to implement a simpler IDR application and recertification process in 2021.

Total and Permanent Disability discharge monitoring under the *FUTURE Act*

The *FUTURE Act* will enable FSA to use FTI to verify income for purposes of TPD discharge, which relieves borrowers of the obligation to repay certain federal student loans and other obligations if they are determined to be totally and permanently disabled. Individuals who receive a TPD discharge—other than those who are determined by the U.S. Department of Veterans Affairs to be totally and permanently disabled—must provide required income documentation for three consecutive years after discharge of their loans. In addition to income information, the TPD discharge servicer collects information about the applicant, including marital status, tax filing status, and state of residence.

FSA expects to be able to implement automated TPD post-discharge monitoring under the *FUTURE Act* to eliminate the burden to totally and permanently disabled borrowers who have received TPD discharges. The automation allows FSA to ensure loan discharge is not granted to those borrowers who do not meet the criteria for discharge further protecting taxpayer dollars. FSA expects to implement *FUTURE Act* for TPD in 2021, as long as adequate funding is provided.

Frequently asked questions

Why will it take several years to implement the *FUTURE Act*?

The implementation of the *FUTURE Act* is a substantial undertaking that takes significant coordination between FSA and the IRS. Fully implementing the policy means making changes and connections between multiple legacy and new systems managed by FSA, and implementing heightened security standards required by [IRS Publication 1075](#). Additionally, delivery is heavily dependent on appropriate funding from Congress to carry out full implementation, and due to the federal budgeting process, adequate funding levels are not guaranteed.

Will schools, state agencies, and other entities that receive FAFSA data need to comply with higher security standards?

The *Coronavirus Aid, Relief, and Economic Security Act (CARES Act)* contained several provisions that amended the *FUTURE Act*. One amendment eliminates the [IRC 6103\(p\)\(4\)](#) security requirements for schools, state agencies, and scholarship organizations. These entities are still required to follow existing ED security requirements, and may need to meet some heightened security standards as the *FUTURE Act* is implemented.

What technology solution will be used to share data between the IRS and FSA?

The IRS will develop the *FUTURE Act*–Direct Data Exchange (FA-DDX) solution, which will be based on recommended requirements from the FSA and IRS interagency working group. This technology solution will establish a secure connection between both agencies through an application programming interface that will process requests in near-real time. Also, batch capability will be provided to respond to bulk requests from ED. IRS aims to finish the FA-DDX development and testing efforts in winter 2020–21. FSA must then ensure that all relevant systems, including back-end systems for the FAFSA form and loan servicing, are able to query, import, and act on information from this system.