

2011 Fall ILASFAA Workshop

Federal Methodology

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Goals for Today

- What is an EFC?
- Elements of the Formula
- Simplified Calculation
- Auto-Zero EFC Calculation

What is an EFC?

- Used to determine student's eligibility for federal student aid, including:
 - Pell Grants
 - TEACH Grants
 - Student Loans
 - Campus-based aid programs

Elements of the Formula

- Income
- Allowances
- Contribution from Assets
- Parent Contribution
- Student Contribution
- Expected Family Contribution

Income

- Parent Income
- Parent Untaxed Income
- Other Financial Information
- **Total Income**

Income

PARENTS' INCOME IN 2011		
1. Parents' Adjusted Gross Income (FAFSA/SAR #83) If negative, enter zero.		
2. a. Father's/stepfather's income earned from work (FAFSA/SAR #86)	_____	
2. b. Mother's/stepmother's income earned from work (FAFSA/SAR #87)	+ _____	
Total parents' income earned from work	=	
3. Parents' Taxable Income (If tax filers, enter the amount from line 1 above. If non-tax filers, enter the amount from line 2.)*		
4. Total untaxed income and benefits: (Total of FAFSA/SAR #92.a. through 92.i.)	+	
5. Taxable and untaxed income (sum of line 3 and line 4)	=	
6. Total additional financial information (Total of FAFSA/SAR #91.a. through 91.f.)	-	
7. TOTAL INCOME (line 5 minus line 6) May be a negative number.	=	

Allowances

- Federal Tax
- State Tax
- Mother/Father Social Security Tax
- Income Protection Allowance
- Employment Expense Allowance
- **Total Allowances**

ALLOWANCES AGAINST PARENTS' INCOME

8. 2011 U.S. income tax paid (FAFSA/SAR #84) (tax filers only) If negative, enter zero.		
9. State and other tax allowance (Table A1) If negative, enter zero.	+	
10. Father's/stepfather's Social Security tax allowance (Table A2)	+	
11. Mother's/stepmother's Social Security tax allowance (Table A2)	+	
12. Income protection allowance (Table A3)	+	
13. Employment expense allowance: <ul style="list-style-type: none"> • Two working parents: 35% of the lesser of the earned incomes, or \$3,600, whichever is less • One-parent families: 35% of earned income, or \$3,600, whichever is less • Two-parent families, one working parent: enter zero 	+	
14. TOTAL ALLOWANCES	=	

Tax Allowances

- Federal Tax – from federal tax return
- State Tax – from table

Table A1: State and Other Tax Allowance
for EFC Formula Worksheet A (parents only)

STATE	PERCENT OF TOTAL INCOME		STATE	PERCENT OF TOTAL INCOME	
	\$0-\$14,999	\$15,000 or more		\$0-\$14,999	\$15,000 or more
Alabama.....	3%	2%	Missouri.....	5%	4%
Alaska.....	2%	1%	Montana.....	5%	4%
American Samoa.....	3%	2%	Nebraska.....	5%	4%
Arizona.....	5%	4%	Nevada.....	3%	2%
Arkansas.....	4%	3%	New Hampshire.....	5%	4%
California.....	8%	7%	New Jersey.....	9%	8%
Canada and Canadian Provinces.....	3%	2%	New Mexico.....	3%	2%
Colorado.....	5%	4%	New York.....	10%	9%
Connecticut.....	8%	7%	North Carolina.....	6%	5%
Delaware.....	5%	4%	North Dakota.....	3%	2%
District of Columbia.....	8%	7%	Northern Mariana Islands.....	3%	2%
Federated States of Micronesia.....	3%	2%	Ohio.....	6%	5%
Florida.....	4%	3%	Oklahoma.....	4%	3%
Georgia.....	6%	5%	Oregon.....	8%	7%
Guam.....	3%	2%	Palau.....	3%	2%
Hawaii.....	5%	4%	Pennsylvania.....	6%	5%
Idaho.....	5%	4%	Puerto Rico.....	3%	2%
Illinois.....	5%	4%	Rhode Island.....	7%	6%
Indiana.....	4%	3%	South Carolina.....	5%	4%
Iowa.....	5%	4%	South Dakota.....	2%	1%
			Tennessee.....	2%	1%

Allowances

- Mother/Father Social Security Tax

Table A2: Social Security Tax

Calculate separately the Social Security tax of father, mother, and student.

Income Earned from Work*	Social Security Tax
\$0 - \$106,800	7.65% of income
\$106,801 or greater	\$8,170.20 + 1.45% of amount over \$106,800

*Father's/stepfather's 2011 income earned from work is FAFSA/SAR #86.

Mother's/stepmother's 2011 income earned from work is FAFSA/SAR #87.

Student's 2011 income earned from work is FAFSA/SAR #38.

Social Security tax will never be less than zero.

Income Protection Allowance

Table A3: Income Protection Allowance

Number in parents' household, including student (FAFSA/SAR #72)	Number of college students in household (FAFSA/SAR #73)				
	1	2	3	4	5
2	\$16,390	\$13,590	————	————	————
3	20,410	17,620	\$14,820	————	————
4	25,210	22,400	19,620	\$16,810	————
5	29,740	26,940	24,150	21,340	\$18,560
6	34,790	31,990	29,200	26,390	23,600

Note: For each additional family member, add \$3,930.
 For each additional college student (except parents), subtract \$2,790.

Income Expense Allowance

13. Employment expense allowance:

- Two working parents: 35% of the lesser of the earned incomes, or \$3,600, whichever is less
- One-parent families: 35% of earned income, or \$3,600, whichever is less
- Two-parent families, one working parent: enter zero

+

ALLOWANCES AGAINST PARENTS' INCOME

8. 2011 U.S. income tax paid (FAFSA/SAR #84) (tax filers only) If negative, enter zero.		
9. State and other tax allowance (Table A1) If negative, enter zero.	+	
10. Father's/stepfather's Social Security tax allowance (Table A2)	+	
11. Mother's/stepmother's Social Security tax allowance (Table A2)	+	
12. Income protection allowance (Table A3)	+	
13. Employment expense allowance: <ul style="list-style-type: none"> • Two working parents: 35% of the lesser of the earned incomes, or \$3,600, whichever is less • One-parent families: 35% of earned income, or \$3,600, whichever is less • Two-parent families, one working parent: enter zero 	+	
14. TOTAL ALLOWANCES	=	

Available Income

Total Income

- Total Allowances

= **Available Income**

Assets

- Cash, Savings, Checking
- Investments
- Business/Farm
- **Contribution from Assets**

Contribution from Assets

PARENTS' CONTRIBUTION FROM ASSETS		
16. Cash, savings & checking (FAFSA/SAR #88)		
17. Net worth of investments** (FAFSA/SAR #89) If negative, enter zero.		
18. Net worth of business and/or investment farm (FAFSA/SAR #90) If negative, enter zero.		
19. Adjusted net worth of business/farm (Calculate using Table A4.)	+	
20. Net worth (sum of lines 16, 17, and 19)	=	
21. Education savings and asset protection allowance (Table A5)	-	
22. Discretionary net worth (line 20 minus line 21)	=	
23. Asset conversion rate	×	.12
24. CONTRIBUTION FROM ASSETS If negative, enter zero.	=	

Asset Protection Allowance

Table A5: Education Savings and Asset Protection Allowance
for EFC Formula Worksheet A (parents only)

<i>Age of older parent as of 12/31/2012*</i>	Allowance if there are two parents	Allowance if there is only one parent	<i>Age of older parent as of 12/31/2012*</i>	Allowance if there are two parents	Allowance if there is only one parent
25 or less	\$0	\$0	45.....	\$41,300	\$14,200
26.....	2,400	800	46.....	42,300	14,500
27.....	4,900	1,700	47.....	43,400	14,900
28.....	7,300	2,500	48.....	44,400	15,200
29.....	9,700	3,400	49.....	45,500	15,600
30.....	12,200	4,200	50.....	46,600	16,000
31.....	14,600	5,100	51.....	48,000	16,300
32.....	17,000	5,900	52.....	49,200	16,700
33.....	19,500	6,800	53.....	50,700	17,100
34.....	21,900	7,600	54.....	51,900	17,500
35.....	24,300	8,500	55.....	53,400	17,900
36.....	26,800	9,300	56.....	54,700	18,500
37.....	29,200	10,200	57.....	56,300	18,900
38.....	31,600	11,000	58.....	58,000	19,400
39.....	34,100	11,900	59.....	59,700	19,900
40.....	36,500	12,700	60.....	61,400	20,400
41.....	37,500	13,000	61.....	63,100	20,900
42.....	38,400	13,300	62.....	65,000	21,500
43.....	39,300	13,600	63.....	66,800	22,100
44.....	40,300	13,900	64.....	68,700	22,700
			65 or over..	71,000	23,300

*Determine the age of the older parent listed in FAFSA/SAR #63 and #67 as of 12/31/2012.
If no parent date of birth is provided, use age 45.

Parents' Contribution

Available Income

+ Contribution from Assets

= Adjusted Available Income

Total Parents' Contribution from AAI

Div. By # in College

Parents' Contribution

Parents' Contribution

PARENTS' CONTRIBUTION		
AVAILABLE INCOME (AI) (from line 15)		
CONTRIBUTION FROM ASSETS (from line 24)	+	
25. Adjusted Available Income (AAI) May be a negative number.	=	
26. Total parents' contribution from AAI (Calculate using Table A6.) If negative, enter zero.		
27. Number in college in 2012-2013 (Exclude parents) (FAFSA/SAR #73)	÷	
28. PARENTS' CONTRIBUTION (standard contribution for nine-month enrollment) ^{***} If negative, enter zero.	=	

Student's Income

- Student Income
- Untaxed Income
- Additional Financial Information
- **Student Total Income**

Student's Contribution

REGULAR
WORKSHEET
Page 2

A

STUDENT'S INCOME IN 2011

29. Adjusted Gross Income (FAFSA/SAR #35) If negative, enter zero.		
30. Income earned from work (FAFSA/SAR #38)		
31. Taxable Income (If tax filer, enter the amount from line 29 above. If non-tax filer, enter the amount from line 30.)		
32. Total untaxed income and benefits (Total of FAFSA/SAR #44.a. through 44.j.)	+	
33. Taxable and untaxed income (sum of line 31 and line 32)	=	
34. Total additional financial information (Total of FAFSA/SAR #43.a. through 43.f.)	-	
35. TOTAL INCOME (line 33 minus line 34) May be a negative number.	=	

ALLOWANCES AGAINST STUDENT INCOME

36. 2011 U.S. income tax paid (FAFSA/SAR #36) (tax filers only) If negative, enter zero.		
37. State and other tax allowance (Table A7) If negative, enter zero.	+	
38. Social Security tax allowance (Table A2)	+	
39. Income protection allowance	+	6,000
40. Allowance for parents' negative Adjusted Available Income (If line 25 is negative, enter line 25 as a positive number in line 40. If line 25 is zero or positive, enter zero in line 40.)	+	
41. TOTAL ALLOWANCES	=	

STUDENT'S CONTRIBUTION FROM INCOME

Total income (from line 35)		
Total allowances (from line 41)	-	
42. Available income (AI)	=	
43. Assessment of AI	×	.50
44. STUDENT'S CONTRIBUTION FROM AI If negative, enter zero.	=	

STUDENT'S CONTRIBUTION FROM ASSETS

45. Cash, savings & checking (FAFSA/SAR #40)		
46. Net worth of investments* (FAFSA/SAR #41) If negative, enter zero.		
47. Net worth of business and/or investment firm (FAFSA/SAR #42) If negative, enter zero.	+	
48. Net worth (sum of lines 45 through 47)	=	
49. Assessment rate	×	.20
50. STUDENT'S CONTRIBUTION FROM ASSETS	=	

EXPECTED FAMILY CONTRIBUTION

PARENTS' CONTRIBUTION (from line 28)		
STUDENT'S CONTRIBUTION FROM AI (from line 44)	+	
STUDENT'S CONTRIBUTION FROM ASSETS (from line 50)	+	
51. EXPECTED FAMILY CONTRIBUTION (standard contribution for nine-month enrollment)** If negative, enter zero.	=	

*Do not include the student's home.

**To calculate the EFC for other than nine-month enrollment,
see the next page.

Allowances

- Federal Tax
- State Tax
- Social Security Tax
- Income Protection Allowance (\$6000)
- Allowance for parents' NEGATIVE AAI (0 if positive AAI)
- **Total Allowances**

Student's Contribution from Income

Total Income

- Total Allowances

= Available Income

x Assessment of AI (.50)

Student's Contribution from AI

Student's Contribution from Assets

- * Cash, savings, Checking
- * Investments
- * Business/Farm
- * Assessment Rate (.20)
- * **Student's Contribution from Assets**

Expected Family Contribution

Parents' Contribution

+ Student's Contribution from AI

+ Student's Contribution from Assets

= **Expected Family Contribution**

EFC

EXPECTED FAMILY CONTRIBUTION	
PARENTS' CONTRIBUTION (from line 28)	
STUDENT'S CONTRIBUTION FROM AI (from line 44)	+
STUDENT'S CONTRIBUTION FROM ASSETS (from line 50)	+
51. EXPECTED FAMILY CONTRIBUTION (standard contribution for nine-month enrollment)** If negative, enter zero.	=

Independent Students

- Independent **without** Dependent(s) Other than a Spouse
- Independent **with** Dependent(s) Other than a Spouse

Simplified EFC

- Assets not considered
- Who Qualifies?
 - Dependent Students
 - Independent Students

Simplified EFC (Dependent)

For the 2012-2013 Award Year, a **dependent** student qualifies for the simplified EFC formula if **both** (1) below and (2) are true:

(1) Anyone included in the **parents'** household size (as defined on the FAFSA) received benefits during 2010 or 2011 from any of the designated means-tested Federal benefit programs: the Supplemental Security Income (SSI) Program, the Food Stamp Program¹, the Free and Reduced Price School Lunch Program, the Temporary Assistance for Needy Families (TANF) Program, and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC); **OR**

the student's **parents**:

- filed or were eligible to file a 2011 IRS Form 1040A or 1040EZ,
- filed a 2011 IRS Form 1040 but were not required to do so, or
- were not required to file any income tax return; **OR**

the student's **parent** is a dislocated worker.

Simplified EFC (Dependent)

AND

(2) The 2011 income of the student's **parents** is \$49,999 or less.

- For tax filers, use the parents' adjusted gross income from the tax return to determine if income is \$49,999 or less.
- For non-tax filers, use the income shown on the 2011 W-2 forms of both parents (plus any other earnings from work not included on the W-2s) to determine if income is \$49,999 or less.

Simplified EFC (Independent)

For the 2012-2013 Award Year, an **independent** student qualifies for the simplified EFC formula if **both** (1) and (2) below are true:

(1) Anyone included in the **student's** household size (as defined on the FAFSA) received benefits during 2010 or 2011 from any of the designated means-tested Federal benefit programs: the SSI Program, the Food Stamp Program, the Free and Reduced Price School Lunch Program, the TANF Program, and WIC; **OR**

the student and student's spouse (if the student is married) **both**

- filed or were eligible to file a 2011 IRS Form 1040A or 1040EZ,
- filed a 2011 IRS Form 1040 but were not required to do so, or
- were not required to file any income tax return; **OR**

the student (or the student's spouse, if any) is a dislocated worker.

Simplified EFC (Independent)

AND

(2) The student's (and spouse's) 2011 income is \$49,999 or less.

- For tax filers, use the student's (and spouse's) adjusted gross income from the tax return to determine if income is \$49,999 or less.
- For non-tax filers, use the income shown on the student's (and spouse's) 2011 W-2 forms (plus any other earnings from work not included on the W-2s) to determine if income is \$49,999 or less.

Auto Zero EFC (Dependent)

For the 2012-2013 Award Year, a **dependent student** automatically qualifies for a zero EFC if both (1) and (2) on the next page are true.

(1) Anyone included in the **parents'** household size (as defined on the FAFSA) received benefits during 2010 or 2011 from any of the designated means-tested Federal benefit programs: the SSI Program, the Food Stamp Program, the Free and Reduced Price School Lunch Program, the TANF Program, and WIC; **OR**

The student's **parents**:

- filed or were eligible to file a 2011 IRS Form 1040A or 1040EZ,
- filed a 2011 IRS Form 1040 but were not required to do so, or
- were not required to file any income tax return; **OR**
the student's **parent** is a dislocated worker.

Auto Zero EFC (Dependent)

AND

(2) The 2011 income of the student's **parents** is \$32,000 or less.

- For tax filers, use the parents' adjusted gross income from the tax return to determine if income is \$32,000 or less.
- For non-tax filers, use the income shown on the 2011 W-2 forms of both parents (plus any other earnings from work not included on the W-2s) to determine if income is \$32,000 or less.

Auto Zero EFC (Independent)

- * An **independent student with dependents other than a spouse** automatically qualifies for a zero EFC if both (1) and (2) below are true:
- * (1) Anyone included in the **student's** household size (as defined on the FAFSA) received benefits during 2010 or 2011 from any of the designated means-tested Federal benefit programs: the SSI Program, the Food Stamp Program, the Free and Reduced Price School Lunch Program, the TANF Program, and WIC; **OR**
- * the student and student's spouse (if the student is married) **both**
- * • filed or were eligible to file a 2011 IRS Form 1040A or 1040EZ,
- * • filed a 2011 IRS Form 1040 but were not required to do so, or
- * • were not required to file any income tax return; **OR**
- * the student (or the student's spouse, if any) is a dislocated worker.

Auto Zero EFC (Independent)

AND

(2) The student's (and spouse's) 2011 income is \$32,000 or less.

- For tax filers, use the student's (and spouse's) adjusted gross income from the tax return to determine if income is \$32,000 or less.
- For non-tax filers, use the income shown on the student's (and spouse's) 2011 W-2 forms (plus any other earnings from work not included on the W-2s) to determine if income is \$32,000 or less.

Auto Zero EFC (Independent)

An **independent student without dependents other than a spouse** is not eligible for an automatic zero EFC.



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The Information for Financial Aid Professionals (IFAP) Web site consolidates guidance, resources, and information related to the administration and processing of Title IV federal student aid into one online site for use by the entire financial aid community.

The most recent postings to the site are listed in the [What's New](#) section.

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Federal Student Aid develops worksheets, schedule, and administration of the Title IV federal student aid

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- [EFC Formula Worksheets and Tables](#)
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