COVID-19 RESOURCES FOR FINANCIAL AID PROFESSIONALS

Families may experience significant financial hardships due to the COVID-19 Pandemic. The changes could range from job loss, loss of savings, high medical expenses, consumer debt, etc. Changes in finances may greatly impact a family’s ability to pay for college. Even if a family has experienced no change in their financial circumstances, they remain concerned about the economic changes around them.

Collect and analyze the information

During review make sure there is a clear understanding of the circumstances the family is facing, as these will determine what documentation is required and the appropriate course of action.

- Narrative that clarifies income, assets, expenses, and their specific circumstances
- Federal tax returns and any related schedules
- Documentation of recent year income and assets, such as bank or brokerage statements
- Income and expense worksheet, explaining how the family is meeting expenses in relation to reported income
- Financial statements, which may include itemized receipts, required minimum payments, frequency of payments, and total outstanding balances
- Payment plans, agreements, or pending negotiations with creditors (e.g., possibility of debt cancellation or bankruptcy protections)
- Documentation supporting the out-of-pocket expenses directly related to the event (i.e., medical/dental expenses)

Temporary Tax Law Changes

Starting with the 2020 tax year, the U.S. Government temporarily modified tax laws to assist families struggling financially during the pandemic. These were intended to be in effect for only one or a limited number of years. Below are several changes financial aid professionals may find useful in researching on the Internal Revenue website:

- Receipt of retirement distributions without penalty, with the tax liability spread across three years. Tax returns may show untaxed retirement distributions. The distribution may be repaid, and the taxpayer may file amended return(s) to claim refunds for any paid tax.
- The exclusion of unemployment benefits from taxable income for some earners.
- An increase in the annual dependent care flexible spending accounts (DCFSA) contribution maximum and in the rollover eligibility of unused DCFSA funds.
Additional resources

Please refer to these and other Professional Judgment Tip Sheets:

- Using an Alternate Year Income
- Consumer Debt
- Distribution of Retirement Funds
- Exceptional Expenses
- Fluctuating Parent Income
- Income and Assets not Proportional
- Medical Expenses
- Natural Disasters
- One Time Taxable Income