CollegeBoard CSS Profile™

PROFESSIONAL JUDGMENT TIP SHEET

Topic: Using an Alternate Year Income

What?

Standard Institutional Methodology (IM) and Federal Methodology (FM) uses a family's base year income, which is the total income for the tax period two years prior to the academic year for which aid eligibility is being determined[1]. However, for some families, this income may no longer be a reliable proxy for determining the family's ability to pay. In these cases, it may be reasonable to examine the family's financial situation using an alternative to the base year such as recent year, anticipated year, or another specified 12-month period.

Why?

Parental income is the most important factor in determining the family's ability to pay. Therefore, when a family experiences a significant change in income, it may be appropriate to reassess the income used in determining the family's need. Reasons for changes in parent income include, but are not limited to: death of a parent, parents' temporary or permanent disability, parents' retirement, or change in a parents' employment and/or benefits, etc.

How do I…

Collect information?
There is no single way to collect more current financial information from a family. Many aid administrators ask the family to document recent income and provide a monthly expense statement. Expense information can be gathered to confirm or extrapolate the income necessary to support reported monthly expenses. For examples, see accompanying worksheets.

Analyze the information?
It is common practice to review the documentation provided and determine the income that accurately represents the family's current financial situation. Options for determining what income is most appropriate to analyze the family's ability to pay are:

- Continue to use base year, but use professional judgement to adjust a specific component of income
- Use recent year income from the documentation that the family provided
- Calculate an anticipated year income, using the projected income that the family provided and/or your institution's policy for calculating income and taxes paid.

[1] For the CSS Profile, three years of income are reported: base year, recent year, and anticipated year. For example, for a student enrolling in the 2020-21 academic year, the base year is 2018, the most recent year is 2019, and the anticipated year is 2020. Base year income is reported on the FAFSA.

These figures are then entered into the financial aid software, and need analysis is applied according to institutional policy.

Treatment in IM and FM

Similar approaches can be used in both IM and FM. However, the aid administrator should ensure that the data elements used to determine recent/anticipated income is appropriate for each methodology. For example, foreign income is included in IM but excluded in FM.

IM Options Provided by INAS

Your financial aid management system may support these optional behaviors provided by INAS to incorporate alternate year parent income into the IM need analysis:

- The base year income and expenses could be replaced with the alternate values.
- The "Anticipated Year Income" option could be utilized to evaluate anticipated income and allow for recent child support paid and expected private K-12 tuition.
- Override values for Adjusted Gross Income and income allowances can be specified for the base year.

Additional Considerations

Impact on Assets
Consider how using non-base year income may impact asset assessments. For example, changes to total income may alter the capping of the home asset or projection of investment values. Asset allowances such as the Cumulative Educations Savings Allowance may also be impacted by a change in total income.

Future Aid Years
A family may request professional judgment for multiple years. The aid administrator should consider how decisions made in one year may impact future evaluations.

Tax Allowances
The aid administrator should consider if taxes should be recalculated using tax rates more in alignment with the year of income used.

PROFESSIONAL JUDGMENT CASE STUDY

TOPIC: Using an Alternate Year Income

The Smith family has appealed their financial aid award for their daughter Helen. They sent a letter stating that Helen's father lost his job during the recent year due to the fact that the business he worked for closed. With his earnings, overtime, and severance pay, the recent year income was significantly higher than the base year. His only earnings in the anticipated year will be his social security benefits because he is now retired. Mrs. Smith works as a home health aide. Her income fluctuates based on the number of clients she cares for during that particular year.

Helen and her parents provided the following information, supported by recent earnings statements.

Base Year	
Mother's earnings	\$30,000
Father's earnings	\$80,000
Total income	\$110,000
Federal Taxes Paid	\$15,510
Recent Year	
Mother's earnings	\$50,000
Father's earnings	
Actual Wages	\$62,000
Overtime/Severance	\$38,000
Total taxable income	\$150,000
Father's SSB	\$2,000
Total Income	\$152,000
Federal Taxes Paid	\$26,010
Anticipated Year	
Mother's earnings	\$60,000
Father's earnings	\$0
Father's taxable SSB	\$22,950
Total taxable income	\$82,950
Father's untaxed SSB	\$4,050
Total Income	\$87,000
Federal Taxes Paid	\$8,700

As documentation, the family provided both the recent year and anticipated year wage statements and the father's social security annual statements. The family also provided a monthly breakdown of their household expenses.

Decision

The financial aid administrator confirmed that the family can support their monthly expenses on the anticipated year income. The decision was made to use the anticipated year total income since it most accurately reflects the family's current financial situation and ability to pay.

Treatment in Methodologies

IM treatment

Whether the financial aid administrator is using the "Anticipated Year Income" option or overriding the values for adjusted gross income and income allowances, the standard IM treatment would use the base year tax tables to calculate a tax on the revised adjusted gross income (using the anticipated income calculation as defined by the IM rules).

Alternatively, a financial aid administrator could manually recalculate taxes paid using the recent or anticipated year tax tables. There is minimal change to the family contribution should a financial aid administrator choose to use the corresponding year tax tables. An analysis was done comparing tax rates over three consecutive years using the same income and the impact to the family contribution was negligible.

FM treatment

In FM, the financial aid administrator could utilize professional judgment and revise the adjusted gross income, wages, and taxes paid fields according to their institutional policy.

