EFC Hand Calculation

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Agenda

- Purpose of the Expected Family Contribution (EFC)
- Formula calculation
  - Six Types
  - Intermediate steps
  - Simplified Needs Test (SNT)
  - Auto Zero (AZ)
- Example 1 - Elsa
- Example 2 - Anna
- Example 3 - Kristoff
- Wrap Up

What is an EFC

- An EFC is the calculated number determined based on information reported on the FAFSA

- The EFC along with other data is used by the school to determine a student's financial aid package

EFC Formulas

* There are six different formulas used to calculate an EFC. The following items will determine which formula is used:

  - Dependency
  - Meets Simplified Needs or Auto Zero
  - Number of Dependents

Simplified Needs/Auto Zero

* To qualify for simplified needs (SNT)
  * Dependent
    * Any parent's means benefit question is yes, OR
    * Parent is a dislocated worker, OR
    * Parents filed or were eligible to file a 1040A/1040EZ, filed a 1040 but were not required to do so, or were not required to file any income tax return

      AND

    * If tax filer, P. AGI is $49,999 or less
    * If non tax filer, Father's plus Mother's Income is $49,999 or less

Simplified Needs/Auto Zero

* Independent
    * Any student's means benefit question is yes, OR
    * Student is a dislocated worker, OR
    * Student filed or were eligible to file a 1040A/1040EZ, filed a 1040 but were not required to do so, or were not required to file any income tax return

                                AND
    * If tax filer, S. AGI is $49,999 or less
    * If non tax filer, Student's plus Spouse's Income is $49,999 or less
* Auto Zero
    * Same requirements as SNT except dollar limit is $24,000
    * For independent students, those without dependents other than a spouse cannot receive an automatic zero EFC

Formula Types

Long Form Version
  1: Dependent
  2: Independent Without Dependents Other Than A Spouse
  3: Independent With Dependents Other Than A Spouse

Simplified Needs Test (SNT) Version
  4: Simplified Dependent
  5: Simplified Independent Without Dependents Other Than A Spouse
  6: Simplified Independent With Dependents Other Than A Spouse

  Formulas 1 & 4 use both parent's and student data

  Formulas 2,3, 5 & 6 use only student and spouse data

EFC Formula

* Each formula uses FAFSA data such as: AGI, household size, and number in college to calculate the EFC
  * Annually, information changes in the following tables:
    * Income Protection Allowance
    * Adjusted Net Worth of a Business or Farm
    * Education Savings and Asset Protection Allowances
    * Assessment Schedule and Rates
    * Social Security Tax Tables

Where to find the information?

* http://www.ifap.ed.gov/ifap/wst.jsp

* Go to ifap - worksheets, schedules and tables

* EFC Formula worksheets and tables

* Choose correct year – normally 30 pages comes out in September

Best way to start is at the beginning of the story

Once upon a time...

* In a town called Cleveland Georgia there was a King and Queen of Arendelle. They lived in a $10 million castle and had many jewels and clothes.

The King and Queen did not earn
a lot of funds since they did not
tax the people high amounts
(I did say this was a fairy tale)

Examples

* Elsa was worked along side her parents in the castle

* Anna worked out in the community

* Kristoff is their friend who is an orphan and has legal guardians the trolls.

Example 1 - Elsa

* Start with the parent information from the FASFA
  * See blue packet

Elsa Example 1
Parent Income in 2014

1	Parent AGI #85		60,000
2a	Parent 1 Income #88		35000
2b	Parent 2 Income #89		25,000
3		Taxable income	60,000
4	Total untaxed income #94a- 94i		5900
5	Taxable & Untaxable Income	Lines 3 +4	65900
6	Total Add Fin info 93a – 93 f		0
7	Total Income	Line 5 – 6	65900

Elsa Example #1
Allowance Against Parent Income

8	Parents Taxes Paid #86		7908
9	State and other tax allowances Table A1 – Georgia 4%	$60,000 x 4%	2636
10	Parent 1 Social Security Tax Allowance – Table A2 7.65%	$35,000 x .0765	2636
11	Parent 2 SS tax – Table A2	$25,000 x .0765	1913
12	Income Protection Allowance Table A3 4 in household 2 college		$24030
13	Employment Expenses		4000
14	Total Allowances		43165

Elsa Example 1
Parent Contribution Available Income

	Total Income		65900
	Total Allowance		43165
15	Available Income	Line 7 – Line 14	22735

Elsa Example 1
Parent Contributions from Assets

16	Parent Cash (#90)		4000
17	Parent Net Investments (#91)		35000
18	Parent Business/Farm (#92)		0
19	Adjusted Net Worth	Table A4	0
20	Net Worth	Add 16 +17 +19	39000
21	Asset Protection Allowance	Table A5 – King 55 yrs old	36300
22	Discretionary Net Worth	Line 20-21	2700
23	Asset conversion rate	12%	
24	Contribution from assests		324

Elsa Example 1
Parents' Contribution

	Available Income line 15		**22735**
	Contribution from assets line 24		324
25	Adjusted Available Income		23059
26	Total Parents contribution	Table A 6	5428
27	Number in college (#74)		2
28	Parent Contribution	5428/2	2714

How to calculate #26

* Take #25 ($23059) and find it on the table A6
* Subtract the last number in that line from #25
* ($23059 - $19700 = $3359)
* Then take 29% of $3359 = 974
* Take $974 + $4454 from formula = $5428

Elsa Example 1
Now on to student calculation

29	Student AGI (#36)		15000
30	Student income (# 39)		15000
31	Taxable income (# 29)		200
32	Total untaxed income (45a – j)		0
33	Taxable & Untaxable Income	Lines 31 +32	15000
34	Taxable Add Fin Info (44a – f)		0
35	Total Income	Line33 – 34	15000

Elsa Example 1
Student Allowances Against Income

36	Student taxes paid (#37)		200
37	State and other tax allowance – Table A7	Georgia 3% $15000 x .03	450
38	SS tax allowance – Table A2	$15000 x .0765	1148
39	Income Protection Allowance		6310
40	Allowance for Parent negative adjusted		0
41	Total Allowances		8108

Elsa Example 1
Student Contribution from Income

	Total Income (#35)		**15000**
	Total Allowance (#41)		8108
42	Available Income	Line 35 – 41	6892
43	Assessment of AI	50%	.50
44	Student contribution income		3446

Elsa Example 1
Student Contribution From Assets

45	Student Cash (#41)		600
46	Student Net Investments #42		0
47	Student business/Farm #43		0
48	Net Worth	45 + 46 +47	600
49	Assessment rate	20%	.20
50	Contribution from assets		120

Elsa Example 1
Expected Family Contribution

	Parents' contribution (line 28)		2714
	Student contribution income line 44		3446
	Student contribution from asset		120
51	Expected Family contribution		6280

Based on Pell chart – not eligible for PELL if using full COA

Anna Example 2

* Parent information and calculation would be the same since they are sisters - yellow packet

Anna Example 2
Student Income

29	Student AGI (Field 36)		3000
30	Student Income (Field 39)		3000
31	Taxable Income	Tax filer – Line 29 Non filer – Line 30	3000
32	Total Untaxed income (45a – 45j)		0
33	Taxable & Untaxable Income	Lines 31 + 32	3000
34	Total Add Fin Info (44a – 44f)		2600
35	Total Income	Line 33 – Line 34	0

Anna Example 2
Student Allowances Against Income

36	Student Taxes Paid (Field 37)		0
37	State and other tax allowance	Table A7 (State Legal Res and Total Income)	90
38	SS Tax Allowance	Table A2 (Student Income Earned)	230
39	Income Protection Allowance	6260	6310
40	Allowance for Parent negative Adjusted Available Income		0
41	Total Allowances	Add lines 36 to 40	6630

Anna Example 2
Student Contribution from Income

	Total Income (Line 35)		**400**
	Total allowances (Line 41)		6630
42	Available Income (AI)	Line 35 – Line 41	6230
43	Assessment of AI	50%	.50
44	Student Contribution from AI	Take 50% of AI If negative set to 0	0

Anna Example 2
Student Contribution from Assets

45	Student Cash (Field 41)		600
46	Student Net Investment (Field 42)		0
47	Student Business/Farm (Field 43)		0
48	Net Worth	Add Lines 45 - 47	600
49	Assessment rate	20%	.20
50	Contribution from assets		120

Anna Example 2
Expected Family Contribution

	Parents' Contribution (Line 28)		**2714**
	Student Contribution from AI (Line 44)		0
	Student Contribution from Assets (Line 50)		120
51	Expected Family Contribution	Add Lines 28, 44 and 50	2834

Based on Pell chart – Anna would be eligible for PELL

Kristoff

* Kristoff is an Ice maker
* He is independent due to being an orphan
* Has legal guardian the Trolls
* Example Purple

Kristoff Example 3
Student Income

1	Student AGI		24000
2	Student income from work		24000
3	Student taxable income		24000
4	Total untaxed income		0
5	Taxable & Untaxed income		24000
6	Total Additional fin info		0
7	Total Income		24000

Kristoff Example 3
Allowances against student income

8	Income tax		1200
9	State and other allowances	Table B1 GA 3%	720
10	Students SS tax	Table B2 .0765	1836
11	Spouse		0
12	Income protection		9810
13	Employment Expense		0
14	Total Allowances		13566

Kristoff Example 3
Contributions from Available income

18	Cash savings		600
19	Net worth		0
20	Business income		0
21	Adjusted net worth		0
22	Net Worth		600
23	Asset Protection	Table B4	0
24	Discretionary net worth		600
25	Asset conversion rate		.20
26	Contribution from assets		120

Kristoff Example 3
Expected Family Contribution

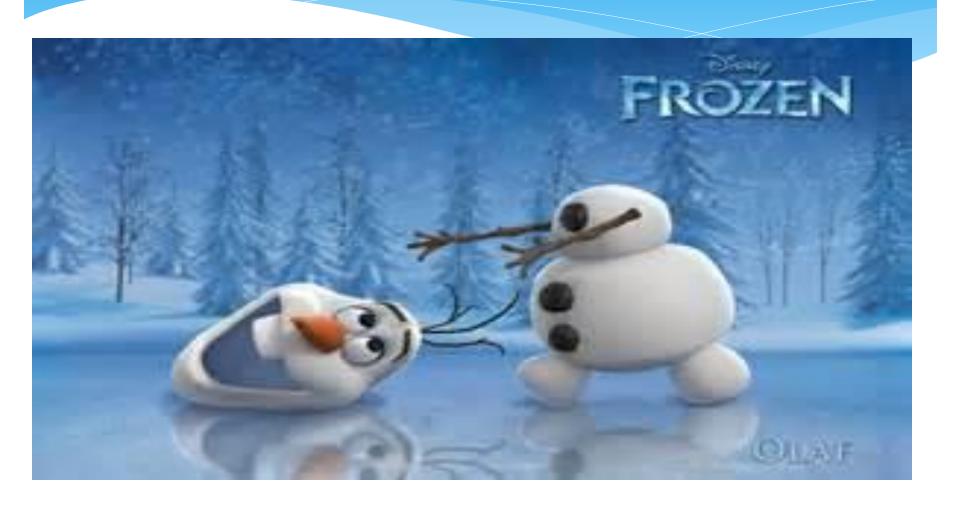|	**Contribution from Income**		**5217**
	Contribution from Asset		120
27	Contribution from both		5337
28	Number in College		1
29	Expected Family contribution		5337

Kristoff would not be eligible for PELL grant funds

Last thoughts

* Your calculations and DOE can be different if assumptions are made by DOE

* You should do a manual calculation every year before doing Professional Judgments

* A student may get frozen out by trying to do a dependency override and it can hurt them not help them.

Don't Stress and lose your head

Have fun and stop and smell the flowers

Thank you

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