

COMPUTER MATCHING AGREEMENT
BETWEEN
U.S. DEPARTMENT OF EDUCATION (ED)
AND
U.S. DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE (IRS)
FUTURE ACT DIRECT DATA EXCHANGE (FA-DDX)

I. INTRODUCTION

This Computer Matching Agreement (Agreement or CMA) is entered into by and between the U.S. Department of Education (ED) and the U.S. Department of the Treasury, Internal Revenue Service (IRS) (collectively, the Parties, and individually, a Party). The purpose of this Agreement is to comply with the Privacy Act of 1974 (Privacy Act) (5 U.S.C. § 552a), as amended by the Computer Matching and Privacy Protection Act of 1988 (CMPPA), Public Law 100-503, 102 Stat. 2507-2514 (1988), and the Computer Matching and Privacy Protection Amendments of 1990, Public Law 101-508 § 7201, 104 Stat. 1388-334-1388-335 (1990), and the regulations and guidance promulgated thereunder.

1. Title of Matching Program

The title of this matching program as it will be reported is as follows: “FUTURE Act Direct Data Exchange.”

2. Matching Agencies

1. Source Agency: IRS
2. Recipient Agency: ED

II. PURPOSE, LEGAL AUTHORITY, AND DEFINITIONS

A. Purpose

This CMA sets forth the terms, conditions, and safeguards under which the IRS will disclose to ED certain confidential Federal Tax Information (FTI) of an individual, upon approval being provided by the individual to ED, for the purpose of determining eligibility for, or the amount of repayments of obligations under, Income-Driven Repayment plans, as defined in Section II.C below, under title IV of the Higher Education Act of 1965, as amended (HEA) (20 U.S.C. § 1070 *et seq.*) with respect to loans under part D of title IV of the HEA (the Direct Loan Program); and determining eligibility for and the amount of Federal student financial aid under the Pell Grant Program authorized under subpart 1 of part A of Title IV of the HEA, Federal Work-Study (FWS) Program, and the Federal Supplemental Educational Opportunity Grant (FSEOG) Program authorized under part C of title IV of the HEA or the Direct Loan Program, as set forth in Internal Revenue Code (IRC) 6103(l)(13)(A) and (C).

The FTI that the IRS discloses to ED under IRC §§ 6103(l)(13)(A) and (C) may also be used by ED for the purposes of: (a) reducing the net cost of improper payments: (i) under IDR plans, as defined in Section II.C below, and (ii) relating to awards of Federal student financial aid under the Pell Grant, FWS and Direct Loan programs; (b) oversight by ED's Office of Inspector General (OIG) as authorized by chapter 4 of title 5 of the United States Code, except for the purpose of conducting criminal investigations or prosecutions; and (c) conducting analyses and forecasts for estimating costs related to: (i) IDR plans, as defined in Section II.C below, and (ii) awards of Federal student financial aid under a program authorized under the Pell Grant, FWS and Direct Loan programs, as set forth in IRC § 6103(l)(13)(D). The FTI will not be duplicated or redisclosed for these uses.

B. Legal Authority

This CMA is authorized by the Fostering Undergraduate Talent by Unlocking Resources for Education Act (FUTURE Act), Public Law 116-91, 133 Stat. 1189-1197 (2019), as amended by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), Public Law 116-136, 134 Stat. 281-615 (2020), and the FAFSA Simplification Act, title VII of division FF of Public Law 116-260, 134 Stat. 3137-3201 (2020) (which is part of the Consolidated Appropriations Act, 2021), as amended by the FAFSA Simplification Act Technical Corrections Act, division R of Public Law 117-103, 136 Stat. 819-821 (2022) (which is part of the Consolidated Appropriations Act, 2022).

The FUTURE Act amended IRC § 6103(l)(13) to authorize the IRS to disclose to ED certain FTI for the purposes set forth in Section II.A of this CMA provided certain conditions are satisfied. In addition, 5 U.S.C. § 552a(b)(3) provides authority for the IRS to disclose Privacy Act-protected records to ED pursuant to a published routine use in an applicable system of records notice for a purpose that is compatible with the purposes for which the IRS collected the records.

ED's legal authority for this matching program is provided by the HEA, including sections 483 and 494(a) and (b) of the HEA (20 U.S.C. §§ 1090 and 1098h(a) and (b)) and the FUTURE Act.

C. Definitions

1. “**Applicant**” means a student, a student’s spouse for an independent student, and a student’s parent(s) for a dependent student who applies for Federal student financial aid under title IV of the HEA using the Free Application for Federal Student Aid (FAFSA[®]).
2. “**Approval**” means, as applicable, the approval provided under section 494(a) of the HEA by an applicant (as defined above) or a borrower (as defined below) for ED to request that the IRS disclose to ED the applicant’s or borrower’s respective FTI for the purposes described in IRC §§ 6103(l)(13)(A) and (C).
3. “**Borrower**” means a person who has had a loan disbursed and is responsible to repay a Direct Loan and any interest and fees to ED or who has such a loan written off due to ED’s determination that it cannot be collected, or it would cost more to collect. For purposes of this CMA, the term “borrower” also includes the spouse of a person described in the foregoing sentence. For purposes of this CMA, the term “borrower” also includes an individual who received a grant under the Teacher Education Assistance for College and Higher Education (TEACH) Grant Program authorized under subpart 9 of part A of title IV of the HEA and did not complete the required service obligation.
4. “**Consent**” means, as applicable, the prior written consent under the Privacy Act of an applicant or borrower for ED to disclose certain of the applicant’s or borrower’s respective Privacy Act-protected records to the IRS for ED to request that the IRS disclose to ED the applicant’s or borrower’s respective FTI for the purposes described in IRC §§ 6103(l)(13)(A) and (C); or of a taxpayer for ED to redisclose FTI that ED receives from the IRS pursuant to IRC § 6103(l)(13)(C), for the purposes set forth.
5. “**Contractor**” means a third-party entity in a contractual or similar relationship with a Party pursuant to which the third-party entity acts on the respective Parties’ behalf to administer, or assist in administering, the matching program described in this CMA. Pursuant to IRC § 6103(l)(13)(E)(ii), ED shall specifically authorize and designate its contractors to receive FTI from the IRS for the purposes set forth in IRC §§ 6103(l)(13)(A) and (C).
6. “**FA-DDX**” means the IRS application to application (A2A) interface, which conducts the matching program and provides specific FTI upon request of ED applications (IDR system and FAFSA form). The FA-DDX was developed specifically to implement the FUTURE Act provisions and disclose FTI authorized by IRC § 6103(l)(13).
7. “**Federal Tax Information (FTI)**” means the confidential return information as defined in IRC § 6103(b)(2) and provided under this matching program as authorized by IRC § 6103(l)(13); which includes any information collected by the IRS with respect to a return or liability, or potential liability, for tax including whether a return

was filed under Title 26, and is protected by the confidentiality provisions of IRC § 6103.

8. **“Income-Driven Repayment (IDR)”** means a repayment plan that is intended to ensure that payments on eligible Direct Loans are kept affordable to all borrowers by having payments based on income and family size instead of the debt owed and interest rate. The following are the current names of the four IDR plans: (1) the Income-Contingent Repayment (ICR) Plan; (2) the Income-based Repayment (IBR) Plan; (3) the Pay As You Earn (PAYE) Repayment Plan; and (4) the Revised Pay As You Earn (REPAYE) Repayment Plan.
9. **“Recipient agency”** means, an agency, or contractor thereof, which receives records contained in a system of records from a source agency for use in a matching program. For purposes of this Agreement, ED is the recipient agency.
10. **“Source agency”** means an agency which discloses records contained in a system of records to be used in a matching program, or any State or local government, or agency thereof, which discloses records for use in a matching program. For purposes of this Agreement, the IRS is the source agency.
11. **“Taxpayer”** means an individual who filed (or may be required to file) an IRS Form 1040, individual income tax return whose tax return information will be provided in this matching program.

III. RESPONSIBILITIES OF THE PARTIES

A. ED will:

Prior to submitting a request to the IRS, obtain an applicant’s or borrower’s approval and consent for ED to disclose certain Privacy Act-protected data (as described in greater detail below in Sections V.A.1 and V.C of this CMA) to the IRS for the IRS to disclose FTI from its tax records to ED (as described in greater detail below in Sections V.A.2, V.D.2, and V.D.3 of this CMA) for the purposes of determining eligibility for, or amount of repayment obligations on a Direct Loan and determining eligibility for, and the amount of, Federal student financial aid under the Pell Grant, FWS and Direct Loan programs as set forth in IRC §§ 6103(l)(13)(A) and (C), including recordation of the date and time indicating when the individual granted such approval and providing such recordation to the IRS with each request;

1. Prepare, and electronically submit to the IRS through the FA-DDX, transactional or bulk file requests for FTI from borrower and applicant tax records maintained by the IRS by providing the IRS with the information described in Sections V.A.1 and V.C. of this CMA, including certain Personally Identifiable Information (PII) of the borrower and applicant and the tax year for which the FTI is requested;

2. In requests submitted by ED to the IRS pursuant to IRC § 6103(l)(13)(A) (IDR requests (as described in Article V) provide the current tax year; and in requests submitted by ED to the IRS pursuant to IRC § 6103(l)(13)(C) (FAFSA requests) (as described in Article V)), specify the tax year for which FTI is needed based on the FAFSA award year for which the applicant is seeking Federal student financial aid;
3. Prepare and send requests and receive response data in the format established in the “Interface Control Document (ICD) FUTURE Act – Direct Data Exchange (FA-DDX) – Department of Education (ED)” (FA-DDX ICD) signed by both Parties;
4. Maintain the CUI//SP-TAX marking on all FTI marked by the IRS that the IRS discloses to ED under this CMA unless decontrolled by IRS.
5. In accordance with IRC § 6103(l)(13)(D)(iii) and with the consent of the taxpayer with respect to whom the FTI relates, redisclose FTI received under IRC § 6103(l)(13)(C) solely for use in the application, award, and administration of financial aid awarded by the Federal government or certain persons described in IRC § 6103(l)(13)(D)(iii)(I)-(III) to an institution of higher education participating in the Pell Grant, FWS or Direct Loan programs, a State higher education agency, or a scholarship organization which is an entity designated by the Secretary of ED prior to December 19, 2019 under section 483(a)(3)(E) of the HEA. Inform all persons to whom ED rediscloses FTI under IRC § 6103(l)(13)(D)(iii) of the confidentiality obligations under IRC § 6103(a)(3), the duty to protect taxpayer privacy rights, and the statutory penalties for unauthorized access, use, or disclosure of FTI, which may include personal liability for civil damages under IRC § 7431; and
6. Maintain a record or accounting for each disclosure of an Institutional Student Information Record (ISIR) and submit an annual report (for the calendar year ending December 31st) to the IRS of all such ISIR disclosures and any unauthorized use, access, or disclosure of FTI under IRC § 6103(l)(13).

B. IRS will:

1. Maintain the FA-DDX application, which allows interface with ED’s applications via the Federal Tax Information Module (FTIM) system, according to the FA-DDX ICD. Annually review the FA-DDX ICD and update the FA-DDX ICD to reflect any changes in operation of the FA-DDX;
2. Process transactional FA-DDX requests submitted by ED in real-time and bulk FA-DDX requests submitted by ED within 24 hours;
3. For each FA-DDX request submitted by ED, conduct a PII match to identify the correct taxpayer account before retrieving the taxpayer’s FTI and, as applicable,

- transmit a response containing the data elements described in Sections V.D.2 and 3 of this CMA to ED, including, where applicable, FTI from the taxpayer's account, in accordance with IRC § 6103(l)(13), or a response code indicating why the request was not processed;
4. In response to FAFSA requests, provide FTI only for the tax year requested by ED, as set forth in Section V.A.2 of this CMA; and in response to IDR requests, provide FTI from the current tax year's return requested by ED, as set forth in Section V.A.2 of this CMA, and, if there is no return on file for the current tax year, then provide FTI from the prior tax year's return, and if there is no return on file for either the current or prior tax year, then provide a response code indicating that there is "no return on file" for either the current or prior tax year;
 5. Electronically transmit responses to FA-DDX requests only through the FA-DDX, which is encrypted using Transport Layer Security (TLS) communication protocol with mutual authentication, using the format established in the FA-DDX ICD;
 6. Maintain CUI marked data provided by ED upon modification of the FA-DDX unless decontrolled by ED; and
 7. Mark all CUI that the IRS provides to ED pursuant to this CMA in accordance with Executive Order 13556 (Nov. 2010), 32 CFR part 2002, and NARA's CUI registry, including marking FTI as "CUI//SP-TAX."

IV. JUSTIFICATION AND ANTICIPATED RESULTS

A. Justification

ED and the IRS have determined that a matching program is the most efficient, expeditious, and feasible method of sharing the data elements described in this CMA due to the volume of requests for FTI that ED needs to submit, the volume of corresponding responses that the IRS needs to generate, and the method in which FTI is matched by the IRS and used by ED to streamline ED's determinations of eligibility for, and amount of, Federal student financial aid under the Pell Grant, FWS and Direct Loan programs and of eligibility for, or the determination of repayment amounts on Direct Loans under IDR plans. There are no other administrative activities that could be employed to accomplish these same purposes with the same degree of efficiency or accuracy.

B. Anticipated Results

1. Attachment A provides the cost-benefit analysis (CBA) for the implementation of this matching program. The CBA provides a specific estimate of ED's savings and demonstrates that having this matching program is more cost effective than not having it.

2. The IRS does not derive any benefit, direct or indirect, from this matching program, nor does the IRS incur any unreimbursed costs associated with this matching program.

V. DESCRIPTION OF MATCHED RECORDS

A. System of Records:

1. ED will disclose to the IRS the data elements described in Section V.C of this CMA from ED's system of records notice entitled "FUTURE Act System (FAS)" (18-11-23), which will be published in the *Federal Register*.
2. The IRS will disclose to ED the FTI described in Sections V.D.2 and D.3 of this CMA from the IRS' system of records entitled "Customer Account Data Engine (CADE) Individual Master File (IMF)—Treasury/IRS" (Treasury/IRS 24.030), the system of records notice for which was published in the *Federal Register* on September 8, 2015 (80 Fed. Reg. 54082-54083). The IRS has determined that the routine use set forth in the CADE IMF Treasury/IRS system of records notice permits IRS' disclosure of such information and that such use is compatible with the purpose for which the IRS collected the information.

B. Number of Records

ED estimates that the number of requests that ED will submit to the IRS under this CMA for FTI may be in excess of 27,000,000 per year. These estimates are subject to change as business assumptions are updated and/or refined and actual volumes are established by use of the FA-DDX after its implementation.

C. Specific Data Elements in Records Requests

ED will electronically send requests for matching to the IRS via the FA-DDX. Each such request will be validly formatted in accordance with this CMA and will include the following data elements:

- a) Social Security Number (SSN)/Taxpayer Identification Number (TIN);
- b) Tax year for which FTI is required;
- c) Last name;
- d) Date of birth;
- e) Unique identifier; and
- f) Date/time stamp of the individual's approval for use of FTI in determining eligibility by ED.

D. Record Response

1. The IRS will validate the PII provided in requests received from ED against taxpayer entity records in the "National Account Profile" to verify the identity of

the taxpayer in the IRS' records prior to searching for a tax return for the applicable year in the request. Failure to match will return a "PII Match Failed" which is protected FTI of the individual.

2. In response to a valid IDR request that matches a tax record for the requested SSN/TIN and tax year, the IRS will return to ED the following return information as reported by the taxpayer on the taxpayer's Form 1040, "U.S. Individual Income Tax Return," when filing or as adjusted by the IRS:
 - a) SSN/TIN (provided in the request);
 - b) Tax year (associated with FTI provided);
 - c) Last name;
 - d) Filing status code;
 - e) Adjusted gross income (AGI) amount;
 - f) Total number of exemptions; and
 - g) Total number of dependents.

3. In response to a valid FAFSA request that matches a tax record for the requested SSN/TIN and tax year, the IRS will provide to ED the following FTI:
 - a) SSN/TIN (provided in the request);
 - b) Tax year (provided in the request);
 - c) Last name (provided in the request);
 - d) Filing status code;
 - e) Adjusted gross income (AGI) amount;
 - f) Total number of exemptions;
 - g) Total number of dependents;
 - h) Income earned from work (sum of wages, farm income, Schedule C income);
 - i) Total amount of income tax paid;
 - j) Total allowable education credits;
 - k) Sum of untaxed IRA contributions and other payments to qualified plans;
 - l) Total amount of untaxed IRA distributions
 - m) Tax exempt interest;
 - n) Total amount of untaxed pensions and annuities;
 - o) Net profit/loss from Schedule C; and
 - p) Indicator of filing for Schedules A, B, D, E, F, and H.

D. Frequency of Match

The IRS will process transactional FA-DDX requests submitted by ED in real-time and bulk FA-DDX requests submitted by ED within 24 hours and up to five times daily, throughout the year, in accordance with the FA-DDX ICD, except during scheduled maintenance windows. Responses to bulk requests not downloaded by ED within 7 days after IRS processing will be dropped and no longer be available for download.

VI. NOTICE PROCEDURES

- A. ED will publish notice of the matching program in the *Federal Register* as required by subsection (e)(12) of the Privacy Act (5 U.S.C. § 552a(e)(12)) and Office of Management and Budget (OMB) Circular A-108, “Federal Agency Responsibilities for Review, Reporting, and Publication under the Privacy Act” (December 23, 2016).
- B. At the time that an individual completes a written or electronic FAFSA application, ED will directly notify the individual, and any parent or spouse whose financial information is required to be provided on such application, that the information provided on the application is subject to verification through matching programs for determining eligibility for, and amount of, Federal student financial aid under the Pell Grant, FWS and Direct Loan programs. ED will also obtain the individual’s approval for this matching program.
- C. At the time that a borrower completes a written or electronic IDR plan application, ED will directly notify the borrower, and spouse whose financial information is required to be provided on such application, that the information provided on the application is subject to verification through matching programs for determining eligibility for, or repayment amounts on Direct Loans repaid under, IDR plans. ED will also obtain the individual’s approval for this matching program.

VII. VERIFICATION PROCEDURES AND OPPORTUNITY TO CONTEST

- A. Pursuant to subsection (p)(1) of the Privacy Act (5 U.S.C. § 552a(p)(1)), ED may not suspend, terminate, reduce, or make a final denial of any financial assistance or payment under title IV of the HEA to an individual, or take other adverse action against such individual, as a result of information produced under this matching program, until, among other things, ED has independently verified the information and the individual receives a notice from ED containing a statement of its findings and informing the individual of the opportunity to contest such findings.
- B. Verification of Matched Information
 - 1. ED’s notification process is highly automated and requires compression of the verification and the notice and wait procedures because individual applicants and borrowers, including, as applicable, the parent(s) of a dependent applicant or the spouse of an independent student applicant or borrower, serve as the best source for verifying the matched data and it is not possible to intervene until after an output document (i.e., Student Aid Report/Federal Aid Summary) has been issued to an applicant. Under the matching program, ED will notify applicants seeking to access their FTI, for the purposes of FAFSA form, that they may contact their financial aid administrator at their eligible postsecondary institution to do so. Similarly, ED will notify borrowers seeking to access their FTI, for the purposes of IDR, that they may contact ED’s Ombudsman's Office to do so. ED will accept the IRS’s determination of the return information match. The applicants and borrowers will have the

opportunity to contest and verify the outcome of the results of the match, as described in Section VII.C of this CMA below.

2. FTI provided by the IRS via the FA-DDX is provided from tax returns filed by taxpayers and may include adjustments made during examination, processing of amended returns as reflected on individual tax accounts, or verification of non-filing by the IRS. The IRS will not honor requests for verification or additional supporting tax information to support eligibility for student aid programs, including copies of tax returns or transcripts. ED will not direct applicants and borrowers to the IRS to obtain additional tax records from the IRS outside of this Agreement. IRC § 7852(e) provides that subsections (d)(2), (d)(3), (d)(4), and (g) of the Privacy Act shall not be applied to the determination of tax liability under the IRC; therefore, individuals may not seek amendment of tax records under the Privacy Act. ED will refer taxpayers to established IRS tax administration procedures, as set forth on www.irs.gov, to access, amend, or correct their tax records.

C. Notice and Opportunity to Contest

1. ED will provide individuals with a description of the procedures for contesting any adverse findings in advance of the proposed adverse action, giving the individual at least 30 days to contest the findings.
2. FAFSA Notice and Opportunity to Contest: Upon notice of an adverse action as a result of FTI produced under this matching for purposes of ED determining eligibility for, and the amount of, Federal student financial aid awarded in the Pell Grant, FWS and Direct Loan programs the applicant who would be adversely affected by such adverse action may contest the adverse action or indicate that the FTI used in support of the adverse action does not reflect their current financial circumstances by means of the verification process. Such an applicant may dispute the use of FTI received from the IRS in determining their eligibility for federal student financial aid by submitting income and/or other verification documents to the applicant's institution of higher education according to ED's annual award year deadline dates notices, as published in the *Federal Register* (such as, for instance, for the 2022-2023 award year, the notice entitled "2022-2023 Award Year Deadline Dates for Reports and Other Records Associated with the Free Application for Federal Student Aid (FAFSA), the Federal Supplemental Educational Opportunity Grant Program (FSEOG) Program, the Federal Work-Study (FWS) Program, the Federal Pell Grant (Pell Grant) Program, the William D. Ford Federal Direct Loan (Direct Loan) Program, the Teacher Education Assistance for College and Higher Education (TEACH) Grant Program, and the Iraq and Afghanistan Service Grant Program," published in the *Federal Register* on June 1, 2022 (87 Fed. Reg. 33135-33139)). ED will provide due process procedures for contesting the adverse action or the information received from the match through ED's output documents (i.e., Student Aid Report/Federal Aid Summary). After receiving the output document provided by ED, the applicant may contest any adverse action through the established ED procedures.

3. IDR Notice and Opportunity to Contest: Upon notice of an adverse action proposed by ED as a result of FTI produced under this matching program for purposes of ED determining eligibility for, or the payment amount on a Direct Loan being repaid under an IDR plan a borrower who would be adversely affected by such adverse action may contest the adverse action or indicate that the FTI used in support of the adverse action does not reflect their current financial circumstances by submitting alternative documentation of income (ADOI) to ED. If a borrower's FTI was unavailable for retrieval from the IRS, ED provides notification to the borrower indicating the unsuccessful match and the corrective action that the borrower must take (i.e., explaining the ADOI upload process). Pursuant to 34 C.F.R. § 682.215(e), ED (or the respective servicer) must notify the borrower no later than 60 days and no earlier than 90 days prior to the end of the borrower's annual payment period to produce documentation to determine eligibility for the repayment plan. The documentation must be produced no later than 10 days following the annual deadline specified in the notice. ED will provide due process procedures for contesting the adverse action or the information received from the match. If, after receiving the notice of adverse action proposed by ED, the borrower expressly declines to contest or provide corrections to the results of the match, then ED may deny or terminate the borrower's eligibility for an IDR plan which includes ED notifying the borrower of the new monthly payment amount, consistent with 34 C.F.R. § 682.215(e). However, pursuant to 34 C.F.R. § 682.215(e)(4)(iii), a borrower has the option to request, at any time, that ED redetermine whether the borrower has a partial financial hardship if the borrower's financial circumstances have changed and the income amount used to determine that the borrower no longer has a partial financial hardship does not reflect the borrower's current income and therefore a recalculated monthly repayment amount under an IDR plan.

VIII. DISPOSITION OF MATCHED RECORDS

- A. ED will maintain FTI received from IRS in ED's FTI Module and will retain the FTI data in accordance with the agency approved record retention schedules or proposed schedules associated with its approved uses. The FTI data will be transferred to another FTI boundary system for continued preservation or timely destruction in ED's FTI Datamart. In accordance with applicable laws and records schedules, including 26 U.S.C. § 6103(p)(4), IRS Publication 1075, and applicable procedures including those established in conjunction with NARA. ED has proposed amendments and additions to schedules related to approved uses. All records and supporting FTI data will be retained as permanent until the revised retention schedules are approved.
 1. ED will maintain FTI that ED receives from the IRS pursuant to IRC §§ 6103(l)(13)(A) and (C) that ED uses for the purpose of conducting analyses and forecasts for estimating costs related to IDR plans and/or awards of Federal student financial aid under the Pell Grant, FWS or Direct Loan, programs authorized under subpart 1 of part A, part C, or part D of the HEA. For the purpose of Budget formulation and program cost estimates, ED will retain records in accordance with:

- a) The ED Records Schedule 057, “Office of the Secretary, Deputy Secretary and Under Secretary,” Budget parts 16a and 16b (DAA-441-97-1) (ED 057), item 16a, established in 1997 which requires ED to transfer budget estimates prepared or consolidated in the formally organized budget office of ED to NARA for permanent preservation, after a specific period of time, of records and data related to budget formulation. (Note: In June 2022, ED has proposed amendments to ED 057 for NARA’s consideration. ED will permanently preserve and not destroy records covered by this ED 057 schedule until such amendments are in effect.) ED expects the permanent record designation to remain for budget formulation records; and
 - b) General Records Schedule 1.3, “Budgeting Records,” items 040 and 041, which respectively require ED to destroy budget preparation background records (i) held in ED’s office responsible for preparing budget proposals to the White House 2 years after the close of the fiscal year to which the records relate, with longer retention authorized if required for business use, and (ii) held in all other ED offices when 2 years old, with longer retention authorized if required for business use.
- B. The IRS will retain the identifiable information, as described in Section V.C of this CMA, that the IRS receives as part of an ED request for FTI for no longer than 60 days. The IRS Office of Records & Information Management has determined that this information qualifies as ‘transitory records,’ specifically ‘intermediate input files,’ as defined in General Records Schedule 5.2, Item 010. The IRS will protect transitory records in the same manner that it protects the IRS records. The IRS will destroy the requests with PII when they are no longer needed for business use.

IX. SAFEGUARD REQUIREMENTS AND DISCLOSURE RESTRICTIONS

- A. ED and the IRS will comply with OMB data loss reporting guidelines per OMB M-17-12 “Preparing for and Responding to a Breach of Personally Identifiable Information” (January 3, 2017). In the event of an incident involving the loss or potential loss of PII, the Party experiencing the event is responsible for following its established procedures, as outlined in the agreed upon Interconnection Security Agreement (ISA), including but not limited to, notification to the proper organizations (i.e., Cybersecurity & Infrastructure Security Agency), conducting a breach and risk analysis, and determining the need for notice and/or remediation to individuals affected by the loss. If the Party’s analysis indicates that an individual notice is appropriate, the Party that experienced the breach will be the one to provide such notice, at no cost to the other Party. IRS and ED agree to enter into an ISA and will adhere to the administrative, technical, and physical safeguards therein.
- B. ED and the IRS will comply with section 3544(a)(1)(A)(i)(ii) of the Federal Information Security Management Act of 2002 (FISMA), as amended by the Federal Information Security Modernization Act of 2014, which requires agencies and their contractors to

ensure their computer systems are FISMA compliant. In this regard, National Institute of Standards and Technology (NIST) standards and guidance must be implemented and adhered to by the IRS and ED's contractor(s).

- C. ED will maintain all FTI obtained from this matching program in accordance with IRC § 6103(p)(4) and comply with the safeguards requirements set forth in Publication 1075, *Tax Information Security Guidelines for Federal, State and Local Agencies*, which is the IRS published guidance for security guidelines and other safeguards for protecting returns and FTI pursuant to IRC § 6103(p)(4) and 26 CFR § 301.6103(p)(4)-1. To comply with the IRS safeguarding requirements, ED will:
1. Establish a central point of control for all requests for and receipt of FTI and maintain a log to account for all subsequent disseminations and products made with/from that FTI, and movement of the FTI within ED and its contractors until destroyed, in accordance with Publication 1075.
 2. Establish procedures for secure storage of FTI consistently maintaining two barriers of protection to prevent unauthorized access to the FTI, including when in transit, in accordance with Publication 1075.
 3. Consistently maintain the CUI//SP-TAX label for FTI obtained under this CMA to make it clearly identifiable and to restrict access by unauthorized individuals. Any duplication or transcription of FTI creates new records which must also be properly accounted for, safeguarded, and labelled CUI//SP-TAX. Per Publication 1075, FTI must not be commingled with other ED non-tax records unless the entire file is safeguarded in the same manner as required for FTI and the resulting file includes the CUI//SP-TAX marking.
 4. Restrict access to FTI solely to officers, employees, and contractors of ED whose duties require access for the purpose of carrying out this CMA. Prior to access, ED must evaluate which officers, employees, and contractors require access. ED officers, employees, and contractors who require access to FTI may only access FTI to the extent necessary to perform services related to this CMA, in accordance with IRC §6103(l)(13) and Publication 1075.
 5. Prior to initial access to FTI and annually thereafter, ensure that officers, employees, and contractors who will have access to FTI receive awareness training regarding the confidentiality restrictions applicable to FTI and certify acknowledgement in writing that they are informed of the criminal penalties and civil liability provided by IRC §§ 7213, 7213A, and 7431 for any willful disclosure or inspection of FTI that is not authorized by the IRC, in accordance with Publication 1075.
 6. Submit an annual Safeguard Security Report (SSR) to the IRS Office of Safeguards, Governmental Liaison, Disclosure, and Safeguards (GLDS), hereafter referred to as IRS Safeguards, by the submission deadline specified in Publication 1075 to provide an update on safeguarding activities during the reporting period and provide

certification that the SSR addresses all Outstanding Actions identified by the IRS Safeguards from ED's prior year's SSR. The annual SSR will accurately and completely reflect ED's current environment for the receipt, storage, processing, and transmission of FTI, and accurately reflect the security controls in place to protect the FTI in accordance with Publication 1075 and ED's commitment to assist GLDS in the joint effort of protecting the confidentiality of FTI. In addition to the submission of the SSR, ED will timely report all data incidents involving FTI to the IRS Safeguards and Treasury Inspector General for Tax Administration (TIGTA) and cooperate with the IRS Safeguards and TIGTA investigators, providing data and access as needed to determine the facts and circumstances of the incident, and support the IRS on-site review to assess ED's compliance with Publication 1075 requirements by means of manual and automated compliance and vulnerability assessment testing, including coordination with information technology (IT) divisions to secure pre-approval, if needed, for automated system scanning and to support timely mitigation of identified risk to FTI in ED's Corrective Action Plan (CAP) for as long as ED maintains FTI. Required reports will be transmitted in electronic format and on the template provided by GLDS Safeguards using an IRS-approved encryption method, in accordance with Publication 1075.

7. Ensure that FTI is properly destroyed according to ED record retention schedules and in accordance with Publication 1075.
 8. Conduct periodic internal inspections of facilities where FTI is maintained to ensure the IRS safeguarding requirements are met and will permit the IRS access to such facilities as needed to review the extent to which ED is complying with IRC § 6103(p)(4).
- D. This CMA covers secure electronic transmission of FTI to ED provided ED's computer systems are compliant with section 3544(a)(1)(A)(ii) of FISMA and NIST Special Publication 800-53 standards and guidance for security of data at the moderate impact level. ED's SSR must fully describe the computer system and security controls implemented for the receipt, processing, storage, and transmission of electronic FTI. Required security controls for systems that receive, process, store, and transmit electronic FTI are specified in Publication 1075.
- E. Any creation or receipt of FTI in paper format must also be fully disclosed in ED's SSR. Required security controls associated with the receipt, processing, and storage of any FTI received in paper format are specified in Publication 1075.
- F. ED must report suspected unauthorized inspection or disclosure of FTI immediately but no later than 24 hours of discovery to the appropriate Agent-in-Charge, TIGTA, and to the IRS Safeguards, in accordance with Publication 1075.
- G. When a data incident results in a Party taking adverse or disciplinary action against an employee or contactor based on an unauthorized inspection or disclosure of FTI in violation of the Party's procedures, that Party must notify each impacted taxpayer in

writing. The notification letter must include the date of the unauthorized inspection or disclosure and the rights of the taxpayer under IRC § 7431. The Party must report to the IRS Safeguards when taxpayer notification letters are issued, in accordance with Publication 1075.

- H. ED officers, employees, and contractors who inspect or disclose FTI obtained pursuant to this CMA in a manner or for a purpose not so authorized by the IRC are subject to the criminal sanction provisions of IRC §§ 7213 and 7213A, and 18 U.S.C. § 1030(a)(2), as may be applicable. In addition, ED could be required to defend a civil damages action under IRC § 7431.
- I. The IRS will conduct periodic safeguard reviews of ED to assess whether security and confidentiality of FTI is maintained consistent with the safeguarding protocols described in Publication 1075, ED's SSR, and in accordance with the terms of this CMA. Periodic safeguard reviews will involve the inspection of ED facilities where FTI is maintained; the testing of technical controls for computer systems storing, processing, or transmitting FTI; review of ED recordkeeping and policies; and interviews of ED employees to verify the use of FTI and to assess the adequacy of procedures established to protect FTI.
- J. IRC § 6103(p)(9) requires ED to conduct on-site assessments every three years of each of ED's contractors' compliance with safeguarding requirements. ED must submit findings of the most recent review as part of the annual SSR submission. ED must certify to the IRS that each ED contractor complies with safeguarding standards in accordance with Publication 1075. ED must ensure that contracts with its contractors and subcontractors performing work involving FTI contain specific language requiring compliance with IRC § 6103(p)(4) and Publication 1075 standards. Contract language includes right of access to contractor and subcontractor facilities to review compliance with the IRS safeguarding requirements.
- K. ED recognizes and treats all the IRS Safeguards documents and related communications as the IRS official agency records; that they are property of the IRS; that the IRS records are subject to disclosure restrictions under federal law and the IRS rules and regulations and may not be released publicly under state Sunshine or Information Sharing/Open Records provisions; and that any requestor seeking access to the IRS records should be referred to the federal Freedom of Information Act (FOIA) statute. If ED determines that it is appropriate to share the IRS Safeguards documents and related communications with another governmental function/branch for the purposes of operational accountability or to further facilitate protection of FTI that the recipient governmental function/branch must be made aware, in unambiguous terms, that the IRS Safeguards documents and related communications are property of the IRS; that they constitute the IRS official agency records; that any request for the release of the IRS records is subject to disclosure restrictions under federal law and the IRS rules and regulations, and that any requestor seeking access to the IRS records should be referred to the federal FOIA statute.

X. RECORDS USAGE, DUPLICATION, AND REDISCLOSURE RESTRICTIONS

- A. FTI will be used by ED solely for the purposes specified in this CMA, pursuant to IRC § 6103(l)(13).
- B. Privacy Act data provided to IRS by ED will not be used to extract information concerning individuals therein for any purpose not specified in this agreement. Records provided by ED will not be duplicated or disseminated within or outside the IRS and will be used solely for the purposes of this matching program.
- C. ED will report annually, on a calendar year basis, to the IRS the number of disclosures made to institutions of higher education, state higher education agencies, and designated scholarship organizations under IRC § 6103(l)(13)(D)(iii) for inclusion on the annual disclosure report provided by the IRS to the Joint Committee on Taxation (JCT) as required by IRC § 6103(p)(3)(B).

XI. RECORDS ACCURACY ASSESSMENT

- A. As the source agency, the IRS will authenticate and validate requests through the FA-DDX interface and is responsible for the accuracy and integrity of FTI returned to ED from taxpayer accounts.
- B. The personal identification data contained in the ED's "FUTURE Act System (FAS)" system of records notice being used in this matching program (SSN, name, and date of birth) is provided to ED by applicants and borrowers for Title IV, HEA Program assistance and, therefore, a high degree of accuracy in the information is achieved. Because identifier information in ED's FUTURE Act System is derived from information personally reported by the applicant, it is estimated that the identifier information is at least 95 percent accurate. IRS estimates at least a 99 percent accuracy rate of data matched with ED, based on previous matching programs.

XII. COMPTROLLER GENERAL ACCESS

The Government Accountability Office (Comptroller General) may have access to all the IRS and ED records, to the extent authorized by 26 U.S.C. § 6103 and 5 U.S.C. §§ 552a(b)(10) and (o)(1)(K), for the purposes of monitoring and verifying compliance with this CMA.

XIII. REPORT TO CONGRESS

After this Agreement has been fully executed and approved by all of the signatories set forth in Section XXII below, ED will submit copies of it to the appropriate Committees of Congress for review, as required by 5 U.S.C. § 552a(o)(2)(A)(i), and report on the new matching program to the appropriate Committees of Congress and OMB, as required by 5 U.S.C. § 552a(r) and section 9 of OMB Circular No. A-108.

XIV. REIMBURSEMENT

- A. All work completed by the IRS for ED under this CMA will be performed on a cost reimbursable basis. The IRS will recover all reasonable direct and indirect costs, including overhead, associated with performing services for ED under this CMA. Pursuant to IRC § 6103(p)(2)(B), the IRS may prescribe a reasonable fee for furnishing return information.
- B. Cost estimates will be prepared on an annual basis. The IRS administers the matching program for the benefit of the agencies that participate in it. Accordingly, the IRS expects to recover 100 percent of the costs it incurs to administer this program. In the unlikely event actions by one or more agencies significantly alter the total cost incurred by the IRS or the calculation of the agencies' pro rata share of program costs, the IRS may need to adjust the computation of annual costs. If this occurs, the IRS will notify ED.
- C. Costs associated with this program are primarily related to the actions by the IRS required to make the matching program available to ED for the performance of the computer matching. These costs include personnel in place to administer the program, setup, and testing of the matching system by Information Technology personnel, and the IRS Safeguards program and personnel necessary to ensure protection of the associated FTI.
- D. Billing will be at least quarterly and may be monthly. Actual costs may be higher or lower than the estimate. Both agencies must sign FS Form 7600A (General Terms & Conditions), and FS Form 7600B (Order), prior to the initiation of any services under this CMA. The IRS's authority to incur obligations through the performance of services under this CMA and ED's authority to reimburse the IRS under this CMA shall not exceed the amounts specified in FS Forms 7600A and 7600B. FS Forms 7600A and/or 7600B will be modified and signed by both agencies if it becomes apparent that original cost estimates will be exceeded.

XV. CONTINGENCY CLAUSE

This CMA is contingent on ED and the IRS meeting the safeguard requirements and disclosure restrictions specified in Section IX of this CMA. Matches with ED under this CMA may be immediately suspended in event of a data breach or if the IRS determines that ED has failed to comply with the safeguards requirements and disclosure restrictions or requirements of the Privacy Act or IRC §6103. Matches with IRS under this CMA may be immediately suspended in event of a data breach or if either Party fail to comply with the requirements of the Privacy Act.

XVI. DURATION OF AGREEMENT

- A. Provided ED reported the proposal to establish this CMA to the Congressional committees of jurisdiction and Office of Management and Budget (OMB) in accordance with 5 U.S.C. § 552a(o)(2)(A) and (r) and OMB Circular A-108, the effective date of this

CMA and the date when the match may begin shall be the latest of the following two dates: (1) July 30, 2023 or (2) as required by 5 U.S.C. § 552a(e)(12), at the expiration of the 30-day public comment period following ED's publication of notice of this matching program in the Federal Register, assuming that ED receives no public comments or receives public comments but makes no changes to the Matching Notice as a result of the public comments, or 30 days from the date on which ED publishes a Revised Matching Notice in the Federal Register, assuming that ED receives public comments and decides to revise the Matching Notice as a result of public comments.

- B. The initial term of this CMA will be eighteen (18) months.
- C. The Data Integrity Boards (DIBs) of ED and the U.S. Department of the Treasury may, within three (3) months prior to the expiration of this CMA, renew this CMA for a period not to exceed twelve (12) months if the matching program will be conducted without change and the Parties certify in writing to the DIBs that the matching program has been conducted in compliance with this Agreement.
- D. The parties may modify this Agreement at any time by a written modification, mutually agreed to by both parties, provided that the changes are not significant. Significant changes require a new agreement.

XVII. TERMINATION AND UNILATERAL SUSPENSION

- A. Either ED or the IRS may immediately and unilaterally suspend the data flow under this CMA or terminate this CMA if there has been:
 - 1. An unauthorized use of information obtained under this CMA by a Party;
 - 2. A violation of, or failure to follow, the terms of this CMA by a Party;
 - 3. Non-payment by ED to the IRS in accordance with the Parties' reimbursable agreement.
- B. Either Party may make an immediate, unilateral suspension of the data flow under this CMA if they suspect that the other Party has breached the terms for security of data until such time as the party suspecting the breach and the Party suspected of making the breach reach a definite determination regarding a breach. Reimbursement for services provided will be paid regardless of any such suspension.
- C. The IRS will monitor and enforce compliance with Federal safeguarding requirements applicable to FTI. If the IRS determines that ED fails to meet the safeguarding requirements, the IRS will take steps to ensure that ED corrects the areas of noncompliance. Such steps may include, as appropriate, suspension, or termination of further disclosures to ED of FTI. Federal tax regulations at 26 C.F.R. § 301.6103(p)(7)-1 provide for the agency to request an administrative review of any determination of noncompliance with IRC § 6103(p)(4) prior to a final determination that terminates disclosures under this Agreement.

XVIII. PERSONS TO CONTACT

Any change of the information pertaining to any contact must be promptly provided, in writing, to the contacts of the other agency.

A. IRS contacts are:

Program Manager

Patricia Grasela, Senior Data Analyst
Internal Revenue Service
Governmental Liaison, Disclosure and Safeguards
Data Services
2970 Market Street
Philadelphia, PA 19104
Phone: (267) 466-5564
Email: Patricia.Grasela@irs.gov

Safeguard and Recordkeeping

Kevin Woolfolk
Acting Associate Director
Internal Revenue Service
Governmental Liaison, Disclosure and Safeguards
Safeguards
550 Main Street
Cincinnati, OH 45202-3222
Phone: (513) 975-6706
E-mail: Kevin.Woolfolk@irs.gov

B. ED contacts are:

Agreement and Funding Lead

Zelma Barrett
Partnership Agreements and Budget Analyst
U.S. Department of Education
Federal Student Aid
Student Experience and Aid Delivery
830 First Street, NE
Washington, DC 20202-5454
Telephone: (202) 377-4308
Email: Zelma.Barrett@ed.gov

Security and Privacy

Davon Tyler
Chief Information Security Officer
U.S. Department of Education
Federal Student Aid

830 First Street, NE
Washington, DC 20202-5454
Email: Davon.Tyler@ed.gov

XIX. AUTHORIZED OFFICIALS

Any change of the information pertaining to any authorized official must be promptly provided, in writing, to the contacts of the other Party.

The official with authority to request information under this CMA on behalf of ED is:

Chris Greene, Deputy Chief Operating Officer
Student Experience and Aid Delivery
Federal Student Aid, U.S. Department of Education
830 First Street, NE
Washington, DC 20202-5454
Email: Chris.Greene@ed.gov

The official with authority to disclose, or authorize the disclosure of, FTI under this CMA on behalf of the IRS is:

Michael J. Oser, Acting Director
Internal Revenue Service
Office of Governmental Liaison, Disclosure and Safeguards
120 Liberty Street
Brockton, MA 02301
Phone: (508) 513-3568
Email: Michael.J.Oser@irs.gov

XX. LIMITATIONS

The terms of this CMA are not intended to alter, amend, or rescind any current agreement or provision of Federal law now in effect. Any provision of this CMA which conflicts with federal law is null and void.

XXI. LIABILITY

- A. Each Party to this CMA shall be liable for acts and omissions of its own employees.
- B. Neither Party shall be liable for any injury to another Party's personnel or damage to another Party's property unless such injury or damage is compensable under the Federal Tort Claims Act (28 U.S.C. § 1346(b)), or pursuant to other federal statutory authority.
- C. Neither Party shall be responsible for any financial loss incurred by the other, whether directly or indirectly, through the use of any data furnished pursuant to this CMA.

XXII. SIGNATURES OF AUTHORIZED OFFICIALS

The signatories below warrant and represent that they have the competent authority on behalf of their respective agencies to enter into the obligations set forth in this CMA.

DEPARTMENT OF EDUCATION

Electronic Signature Acknowledgement: The signatories may sign this document electronically by using an approved electronic signature process. Each signatory electronically signing this document agrees that his/her electronic signature has the same legal validity and effect as his/her handwritten signature on the document, and that it has the same meaning as his/her handwritten signature.

Richard Cordray, Chief Operating Officer
Federal Student Aid
U.S. Department of Education

Date

The Department of Education Data Integrity Board has reviewed this CMA and finds it in compliance with relevant statutes, regulations, and guidelines. The Department of Education Data Integrity Board has made a formal determination that it is appropriate legally to compress the verification and notice and wait periods into a single step. We, therefore, approve the conduct of the aforementioned matching program.

Kevin Herms, Senior Agency Official for Privacy
Chair, Data Integrity Board
U.S. Department of Education

Date

DEPARTMENT OF THE TREASURY, INTERNAL REVENUE SERVICE

Electronic Signature Acknowledgement: The signatories may sign this document electronically by using an approved electronic signature process. Each signatory electronically signing this document agrees that his/her electronic signature has the same legal validity and effect as his/her handwritten signature on the document, and that it has the same meaning as his/her handwritten signature.

Melba Tyson, Acting Director
Office of Governmental Liaison, Disclosure and Safeguards

Date

The Department of the Treasury Data Integrity Board has reviewed this CMA and finds it in compliance with relevant statutes, regulations, and guidelines. The Department of the Treasury Data Integrity Board has made a formal determination that it is appropriate legally to compress the verification and notice and wait periods into a single step. We, therefore, approve the conduct of the aforementioned matching program.

Ryan Law, Deputy Assistant Secretary for Privacy, Transparency and Records
Chairperson, Data Integrity Board
U. S. Department of the Treasury

Date

XXIII. ATTACHMENTS

- A. Cost Benefit Analysis



**Cost/Benefit Analysis for the Match
Between the U.S. Department of Education
and the Internal Revenue Service
Period of Performance: 2020-2023**

I. BACKGROUND

Statutory Requirements

This cost-benefit analysis (CBA) covers the proposed matching program between the U.S. Department of Education (ED) and the U.S. Department of the Treasury, Internal Revenue Service (IRS) to which the IRS will disclose Federal Tax Information (FTI) of an individual to ED, upon approval being provided by the individual to ED, for the purpose of determining eligibility for, or repayment of obligations under, income-driven repayment (IDR) plans under title IV of the Higher Education Act of 1965, as amended (HEA) (20 U.S.C. § 1070 *et seq.*) with respect to loans under part D of title IV of the HEA; and determining eligibility for, and amount of, Federal student financial aid under a program authorized under subpart 1 of part A, part C, or part D of title IV of the HEA, as set forth in Internal Revenue Code (IRC) § 6103(l)(13)(A) and (C). The FTI that the IRS discloses to ED under IRC §§ 6103(l)(13)(A) and (C) may also be used by ED for the purposes of: (a) reducing the net cost of improper payments (i) under IDR plans and (ii) relating to awards of Federal student financial aid under a program authorized under subpart 1 of part A, part C, or part D of the HEA; (b) oversight by ED’s Office of Inspector General (OIG), as authorized by chapter 4 of title 5 of the United States Code, except for the purpose of conducting criminal investigations or prosecutions; and (c) conducting analyses and forecasts for estimating costs related to: (i) IDR plans and (ii) awards of Federal student financial aid under a program authorized under subpart 1 of part A, part C, or part D of the HEA. With approval of the applicant, ED will directly receive and use FTI to determine eligibility for and the amount of Federal student financial aid under a program authorized under subpart 1 of part A, part C, or part D of title IV of the HEA and eliminate multi-year certification for IDR plan applicants—who have William D. Ford Federal Direct Loans (Direct Loans)—which simplifies both online application experiences and prevents many borrowers from defaulting on their federal student loans.

ED will maintain all records of disclosures made to for institutions of higher education (as required in section 6103(p)(3)(A) of the IRC) and provide an annual report to IRS at the close of each calendar year and by the due date established by IRS annually. IRS will report all disclosure under this computer matching to the Joint Committee on Taxation.

Methodology of Cost-Benefit Analysis

Although the CBA of this proposed matching program is based on limited data and is subject to change due to potential budget amendments, it highlights the costs associated with the FUTURE Act implementation, and the various intangible benefits that will directly impact Federal Student Aid (FSA), its partners (i.e., institution of higher education, state grant agencies, designated scholarship organizations, and loan servicers), and applicants and borrowers.

The Fostering Undergraduate Talent by Unlocking Resources for Education (FUTURE) Act implementation accounts for the planning, procurement, and implementation of the new FUTURE Act solution to the FSA systems (including Free Application for Federal Student Aid (FAFSA®) and IDR applications). This process takes a strategic, multi-phase approach to corroborate an effective transition from FSA legacy systems to FUTURE Act systems. Actual costs have been broken down according to Fiscal Year and do not account for the batch processing costs until further actual costs are realized.

II. COSTS

ED Costs

ED incurred total costs in the amount of \$102,201,473.13 throughout fiscal years (FY) 2020, 2021, and 2022 for the development and implementation of the FSA FUTURE Act systems, and safeguarding requirements to receive FTI via the IRS FA-DDX interface. Incurred costs also account for safeguards, cybersecurity, and costs associated with FSA legacy systems transitions and integration within the FUTURE Act implementation. ED estimates that FY 2023 costs will be \$46,609,725.00 to cover the implementation, operations, and maintenance of the FUTURE Act solution.

a. ED FY2020-FY2022 FUTURE Act Implementation Costs

- i. The FY2020 costs for the planning and development of the FUTURE Act solution are calculated as \$10,183,403.86.
- ii. The FY2021 costs for the development and implementation of the FUTURE Act solution are calculated as \$36,925,845.78.
- iii. The FY2022 costs for the development and implementation of the FUTURE Act solution are calculated as \$55,092,223.49.

b. ED estimates the number of requests annually may be in excess of 27,000,000 requests. These estimates are subject to change as business assumptions are updated and/or refined and actual volumes are established by use of the FA-DDX after its implementation. Even so, ED estimates that the FY2023 costs for the implementation, operations, and maintenance of the FUTURE Act solution are \$46,609,725.00.

Intangible Costs

In addition to the measurable costs calculated above, there are intangible costs that cannot be accurately calculated and therefore are not included in the calculations estimating the costs of performing this new matching program. The first of these costs affects several applicants who were identified by the match as possibly providing erroneous financial information but were able to verify that the information originally submitted on their application was accurate. These students, spouses of students, and parents of dependent students were needlessly inconvenienced by a failure in the data entry process either during the application process with ED or by erroneous validations.

A second intangible cost is the further burden placed on institutions. ED currently requires institutions to perform a number of activities, such as verification, intended to reduce error, fraud and abuse when awarding aid under HEA. The cumulative effect of all these activities adds up to considerable effort on top of the school's normal financial aid functions of aid packaging, record keeping, etc. Without an implemented FUTURE Act solution that can provide confirmed volumes for the match between ED and IRS, it is considered an unmeasurable cost and burden for institutions to ensure that proper verification, error reductions, and fraudulent abuse investigations are completed in a timely manner.

A third intangible cost is the avoidance of future improper payments which remains unquantifiable at this point in time of the FUTURE Act implementation. While it is anticipated that the matching program is likely to result in the avoidance of future improper payments to individuals not eligible for federal student aid awards and repayment plans obligation, such cost savings have not been quantified.

III. BENEFITS

The FUTURE Act will enable ED to heighten its safeguard and security procedures.

The FUTURE Act implementation will equip ED with a state-of-the-art GSS cloud system, Central Calculation Engine, and Data Mart that are in compliance with Publication 1075 and IRC §§ 6103(p)(3) and (p)(4) for FTI safeguards and reporting. It will add additional protection to applicant and borrower income information, while updating security and safeguards in legacy systems and security and safeguard training for ED personnel.

Through the direct data exchange of FTI from IRS to ED for borrowers under IDR plans, ED will be able to conduct analyses and forecasts to estimate costs resulting in a significant improvement of its ability to forecast cash flows. This benefit alone will holistically impact future congressional legislations and technical solutions to reduce the national student loan debt efforts, even though this benefit stands unquantified at this current phase of the FUTURE Act solution implementation. The FTI Data Mart will become a strategic resource in guiding stakeholders, such as Budget Services, the Office of Inspector General (OIG), Audit teams, and the Office of Management and Budget (OMB), to continue its operational efforts.

Another significant benefit will be an impact on the annual FAFSA cycle caused by incorrect self-reported data on the FAFSA form. More specifically, ED's fiscal year 2019 Agency Financial Report (AFR) discusses a statistical study using the IRS data to estimate the cost of improper payments. Out of the \$508 million improper payments reported, ED estimated that \$498 million were attributed to misreported FAFSA information, which resulted in higher awards under the HEA student financial assistance programs. As the FUTURE Act amended IRC § 6103(l)(13), ED expects this number will be greatly reduced because applicants' FTI will, through an applicant's approval, be directly transferred from the IRS to ED via a secure direct data exchange, minimizing the margin of error in the income verification process and ensuring that the awards are accurately calculated.

A reduction of \$432 million in the annual verification costs to schools is expected. Every year, FSA is required to randomly select approximately 30% of FAFSA filers (about 5.5 million applicants) whose FAFSA data must be verified by the school at which they attend. It is estimated that schools pay approximately \$432 million annually to complete this requirement. Most of the costs of the verification process is related to income verification. If selected, applicants must provide a tax transcript or proof of non-filing from the IRS to fulfill this requirement. The FUTURE Act implementation is predicted to tremendously decrease income-related verification requirements for schools and students, including the past practices of requiring applicants to provide tax transcripts or proof of non-filing from the IRS. The result would be an unquantified benefit that would allow applicants to pursue postsecondary education or career development because the income verification requirement will be automated via the FA-DDX solution.

An enhanced FAFSA form process will decrease costs. Each year, FSA receives approximately 22 million FAFSA applications. The FAFSA form requires applicants to provide their income information in order for FSA to determine their student aid eligibility. Currently, FAFSA applicants leverage the IRS Data Retrieval Tool (IRS-DRT) by manually entering information on a separate and secure webpage to retrieve their tax data and report their income on the FAFSA form. The FUTURE Act implementation eliminates this manual process, which eases the burden for the majority of applicants and their families to provide income information on the FAFSA form.

Elimination of the multi-year certification requirement for IDR borrowers will decrease costs. Currently, borrowers who are enrolled in the IDR plan must recertify their income each year to verify their continued eligibility. However, if borrowers fail to comply, they may be placed on a standard repayment plan, resulting in the borrower potentially falling into default or delinquency. While some of these borrowers deliberately chose not to recertify, a large portion simply failed to recertify within the fixed timeframe. With the FUTURE Act implementation, FSA can automatically recertify IDR loan borrowers, removing the recertification burden and eliminating this prevalent cause leading to default. In addition, automatic recertification of IDR loan borrowers will ensure that those borrowers seeking Public Service Loan Forgiveness (PSLF) do not miss any qualifying payments due to a failure to recertify for IDR plans.

An intangible benefit is the recovery of improper payments and debts. While it is anticipated that the matching program may result in the recovery of some improper payments and debts for payments to individuals who were ineligible for Title IV, HEA benefits, such recoveries have not been quantified.

IV. Cost/Benefit Ratio

The ratio of total estimated costs to total estimated benefits is the sum of the measurable estimated costs divided by the sum of measurable estimated benefits:

Total Costs:	\$148,811,198.13	
Total Benefits:	÷ \$432,000,000.00	
Cost to Benefit Ratio:		0.3445*

* When the amount of the total estimated benefits is divided by the amount of the total estimated costs the ratio is 2.90. In other words, for every \$1 of cost, the benefit equals \$2.90.