From: Washington College Grant (WSAC) <wcg@wsac.wa.gov>
Sent: Wednesday, October 28, 2026 3:32 PM
Subject: 2027-28 Income Guidance

Greetings, colleagues!

We are providing important guidance related to the 2027-28 financial aid year.

Non-Tax Filer Income

After a thorough legal analysis about how eligibility is determined for state financial aid and how income is defined as well as increasing fraud prevention measures, it was determined that it cannot be assumed that family income is $0 based on non-tax filing. Since this information is not available through the FAFSA application, any non-tax filer will need to complete a WASFA application in addition to their FAFSA application.

We will be updating the Archive in the WSAC Portal to identify students who need to complete the WASFA application due to non-tax filing. This will be like other checkers we have available in the WSAC Portal where a list of students can be uploaded to the Archive.

WASFA filers will already provide income information through their application process, so only one application is required.

Definitions

Income: For tax-filers, income is defined using Adjusted Gross Income (AGI).

Non-taxable income:

- Untaxed portions of Individual Retirement Arrangement (IRA, or Individual Retirement Account) distributions (withdrawals) less any rollovers.
- Untaxed portions of pension and annuity distributions (withdrawals) less any rollovers.
- Foreign income exclusion

Non-tax filer income: Includes any wages, business income, farm income, dividends, capital gains, retirement income, or other income. Wages may include W2, 1099, cash, or other untracked income.

Median Family Income (MFI) Defined

For a **dependen**t student:

1. For parents who have filed taxes (filing single, married filing jointly, married filing separately, or head of household):

   MFI = Adjusted Gross Income (AGI) + non-taxable income

2. For two parent households who are required to complete the WASFA for a dependent student and one parent has filed taxes and the other has not:

   MFI = Adjusted Gross Income (AGI) + non-taxable income + non-tax filer income elements as previously defined

3. For parents who are required to complete the WASFA and neither parent has filed taxes:

   MFI = All income from all sources (W2s, 1099s, income from any other sources)

For an **independent** student:

1. For students who are single, married filing jointly, married filing separately, or head of household and, if applicable, both student and spouse have filed taxes:

   MFI = Adjusted Gross Income (AGI) + non-taxable income

2. For a student who has filed, and their spouse has not filed:

   MFI = Adjusted Gross Income (AGI) + non-taxable income + non-tax filer income elements as previously defined

3. For students who are required to complete the WASFA, and the student and spouse (if applicable) have not filed taxes:

   MFI = All income from all sources (W2s, 1099s, income from any other sources)

Income Offsets

Beginning 2027-28 income offsets will no longer be used. This included taxable earnings from need-based employment programs, taxable student grant and scholarship aid reported to the IRS in the AGI, and education tax credits under the American Opportunity and Lifetime Learning tax credits.

Defining Need

If the award fits into a student's Cost of Attendance (COA), then the student is eligible for the award. WA Grant cannot exceed a student’s COA.

Examples:

1. A student who only files the WASFA with a WA Grant eligible MFI and they meet all other WA Grant criteria:

   COA = need

2. A student who files the FAFSA, is eligible for a WA Grant, but receives federal need-based aid (for example, the Federal Pell Grant, Federal Supplemental Educational Opportunity Grant (FSEOG), Federal Work-Study (FWS), and Direct Subsidized Loan programs) is still bound by federal regulations of need.

   COA – SAI – Pell Grant (always first) = Remaining need for WA Grant

   Schools should review the FSA Handbook Volume 3, Chapter 3 for federal guidance regarding need.

3. A student who files the FAFSA, is eligible for WA Grant, but receives no other federal need-based aid:

   COA = need

Questions?

We understand that 2027-28 will bring many changes with the new WASFA application and income definitions. We are here to help with any questions that may arise as you reflect on this guidance.

Please don't hesitate to contact us at wcg@wsac.wa.gov.

In appreciation of your partnership,

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