

# 2024-2025 DRAFT Pell Eligibility and SAI Guide

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## Introduction

The intent of this document is to provide a preliminary introduction to the new calculation for federal student aid eligibility using the Student Aid Index beginning in the 2024-25 award year. This draft guide represents anticipated implementation of the Student Aid Index (SAI) at the time of publication. A final SAI formula guide will be published in the future to the Knowledge Center website.

### ***FAFSA Simplification and the Consolidated Appropriations Act of 2021***

In 2020, the FAFSA Simplification Act was enacted into law as part of the Consolidated Appropriations Act of 2021. The FAFSA Simplification Act represents a significant overhaul of federal student aid, including the Free Application for Federal Student Aid (FAFSA®) form, need analysis, and many policies and procedures for schools that participate in the Title IV programs.

### ***Replacing the Expected Family Contribution (EFC) with the Student Aid Index (SAI)***

Not only will students and families see a different measure of their ability to pay for college, but they will also experience a change in the methodology used to determine aid. The new need analysis formula removes the number of family members in college from the calculation, allows a minimum SAI of -1,500, and implements separate eligibility determination criteria for Federal Pell Grants.

### ***Expanding Access to Pell Grants***

The FAFSA Simplification Act extends the Federal Pell Grant to more students and links eligibility to family size and the federal poverty level. This builds on changes implemented in the 2023-24 award year including incarcerated students regaining the ability to receive a Federal Pell Grant and restoration of Federal Pell Grant lifetime eligibility to students whose school closed while they were enrolled or if the school is found to have misled the student. Streamlining the FAFSA Form

Where possible, the law mandates that FSA use data received directly from the Internal Revenue Service (IRS) to calculate Federal Pell Grant eligibility and the SAI. This data exchange has been made possible by the Fostering Undergraduate Talent by Unlocking Resources for Education Act (FUTURE Act), which FSA will implement alongside FAFSA simplification. The FAFSA Simplification Act also removes questions about Selective Service registration and drug convictions and adds questions about applicants' sex and race/ethnicity.

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## Overview of Pell Grant Eligibility and Scheduled Pell Grant Awards

Beginning in the 2024-25 award year, the Pell Grant scheduled award calculation consists of three steps.

### ***Step 1 – Maximum Pell Grant Eligibility***

- Use the Maximum Pell Grant Formula to calculate the eligibility indicator based on Adjusted Gross Income.
- Applicants who are not required to file taxes are assigned an SAI of -1500. For all other applicants eligible for a maximum Pell Grant award, proceed to the SAI calculation in step 2.

### ***Step 2 – Student Aid Index Calculation***

- Use one of three formulas to calculate the SAI.
- For applicants eligible for a maximum Pell Grant under step 1, if the calculated SAI is less than zero, retain the calculated SAI. Otherwise, assign an SAI of zero.
- For applicants not eligible for the maximum Pell Grant under step 1 with a calculated SAI that is less than the corresponding award year's maximum Pell Grant award, retain the calculated SAI. If the applicant's SAI is greater than zero, calculate the student's Pell Grant by subtracting the SAI from the maximum scheduled Pell Grant for the award year. If the applicant's SAI is less than zero, treat the SAI as zero when determining Pell Grant eligibility.
- For applicants with a calculated SAI that is greater than the corresponding award year's maximum Pell Grant award, proceed to Step 3.

### ***Step 3 – Minimum Pell Grant Eligibility***

- Use the Minimum Pell Grant calculation to identify additional applicants eligible for a Pell Grant.
- For applicants meeting the Minimum Pell Grant eligibility requirements, package the minimum Pell Grant and retain the SAI calculated in Step 2. The remainder of the aid package should be based on the calculated SAI.
- For applicants not qualifying for Minimum Pell Grant eligibility, package based on the calculated SAI from Step 2.

Each step is described in detail below.

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## Step 1 – Maximum Pell Grant Eligibility Determination

Under HEA Sec. 401(b)(1)(A)<sup>1</sup>, a student is eligible for a Maximum Pell Grant if any of the following is true:

### **Dependent Student**

1. The student's parent(s) is not required to file a federal income tax return; or
2. The student's parent is a single parent and has an AGI greater than zero and less than or equal to 225% of the poverty guideline for the applicant's family size and state of residence; or
3. The student's parent is **not** a single parent and has an AGI greater than zero and less than or equal to 175% of the poverty guideline for the applicant's family size and state of residence.

### **Independent Student**

1. The student (and spouse, if applicable) is not required to file a federal income tax return; or
2. The student is a single parent and has an AGI greater than zero and less than or equal to 225% of the poverty guideline for the applicant's family size and state of residence; or
3. The student is **not** a single parent and has an AGI greater than zero and less than or equal to 175% of the poverty guideline for the applicant's family size and state of residence.

### **SAI for Maximum Pell Grant Recipients**

- A dependent student whose parents are not required to file a federal income tax return OR an independent student (and spouse, if applicable) who is not required to file a federal income tax return for the prior prior tax year is assigned a SAI equal to -1500.
- Other students eligible for a maximum Pell Grant will be assigned a SAI equal to 0 or a SAI calculated in Step 2 below, whichever is less.

### **Components Necessary to Calculate Maximum Pell Eligibility**

#### Poverty Guidelines:

Use the *U.S. Federal Poverty Guidelines Used to Determine Financial Eligibility for Certain Programs*, produced by the Department of Health and Human Services (HHS). To access the annually produced HHS Poverty Guidelines, visit <https://aspe.hhs.gov/topics/poverty-economic-mobility/poverty-guidelines>. Use the poverty guideline for the prior prior tax year (e.g., for the 2024-2025 award year, use the 2022 poverty guideline) by state of residence.

#### State of Residence:

Dependent student state of residence is the reported state of residence of their parent(s), if reported. Otherwise, use the student's reported state of residence. For independent students, use the reported state of residence for the applicant. For applicants who do not have a reported state of legal residence, use the poverty estimates for the contiguous 48 states.

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<sup>1</sup> All citations to the HEA in this document reflect the amendments made by the *FAFSA Simplification Act*

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## Family Size:

Family size includes the following:

Dependent Students	Independent Students
<ul style="list-style-type: none"> <li>• The student</li> <li>• The student’s parents, even if the student is not living with them. Exclude a parent who has died or is not living in the household because of separation or divorce. Include a parent who is on active duty in the U.S. Armed Forces apart from the family.</li> <li>• The student’s siblings if the following are true:               <ol style="list-style-type: none"> <li>1. They live with the student’s parents (or live apart because of college enrollment),</li> <li>2. They receive more than half of their support from the student’s parents, and</li> <li>3. They will continue to receive more than half their support from the student’s parents during the award year.</li> </ol> </li> <li>• Other persons if the following are true:               <ol style="list-style-type: none"> <li>1. They live with the student’s parents,</li> <li>2. They receive more than half of their support from the student’s parents, and</li> <li>3. They will continue to receive more than half their support from the student’s parents during the award year.</li> </ol> </li> </ul>	<ul style="list-style-type: none"> <li>• The student</li> <li>• The student’s spouse, if applicable</li> <li>• The student’s dependent children if the following are true:               <ol style="list-style-type: none"> <li>1. They live with the student,</li> <li>2. They receive more than half of their support from the student, and</li> <li>3. They will continue to receive more than half their support from the student during the award year.</li> </ol> </li> <li>• Other persons if the following are true:               <ol style="list-style-type: none"> <li>1. They live with the student,</li> <li>2. They receive more than half of their support from the student, and</li> <li>3. They will continue to receive more than half their support from the student during the award year.</li> </ol> </li> </ul>

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## Required to File a Federal Income Tax Return:

Use Table 1 of IRS Publication 501 (<https://www.irs.gov/pub/irs-pdf/p501.pdf>) to determine if the independent applicant or dependent student's parent(s) was required to file a federal tax return. If tax filing status is known, use the combination of reported marital status, tax filing status, and age to determine if they were **required** to file.

If tax filing status is unknown, but marital status is known, assume the following tax filing statuses, based on marital status and age:

- Married Applicants – assume Married, filed separately (any age)
- Non-married Applicants – assume Single

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## Step 2 – Student Aid Index Calculation

The Student Aid Index (SAI) is a number that determines each student’s eligibility for certain types of federal student aid. This number is calculated with the SAI formulas, which use the information that students provide on the FAFSA<sup>®</sup> form. Financial aid administrators (FAAs) subtract the SAI from each student’s cost of attendance to determine their need for federal student financial assistance offered by the U.S. Department of Education (the Department).

The SAI is determined using one of three formulas, each described in more detail below:

- Formula A – Dependent students;
- Formula B – Independent students<sup>2</sup> **without** dependents other than a spouse; and
- Formula C – Independent students **with** dependents other than a spouse.

Notes:

- In this document, calculations for federal aid are based on standard 9-month enrollment.
- Unlike award years prior to 2024-25, there is no simplified needs test in the SAI formula, but certain applicants will still be exempt from asset reporting based on their income and tax filing status.

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<sup>2</sup> Definition of an independent student can be found in Appendix A.

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## Formula A – Dependent Students

- SAI = Parents' Contribution + Student's Contribution from Income + Student's Contribution from Assets
- Note: SAI can be negative; if negative and less than -1,500 replace value with -1,500

### Parent Contribution from Income

Parent Income Additions		
a. Parents' AGI		
b. Parents' Deductible Payments to IRA/KEOGH/Other	+	
c. Parents' Tax-Exempt Interest Income	+	
d. Parents' Untaxed Portions of IRA Distribution	+	
e. Parents' Untaxed Portions of Pensions	+	
f. Parents' Foreign Income Exclusion (reported on U.S. Tax Return)	+	
1. Total Parent Income Additions (sum of lines a, b, c, d, e, and f)	=	
Parent Income Offsets		
g. Parents' Taxable College Grant and Scholarship Aid (reported as income)		
h. Parents' Education Credits	+	
i. Parents' Rollover	+	
j. Parents' Federal Work-study (FWS)	+	
2. Total Parent Income Offsets (sum of lines g, h, i, and j)	=	
3. Total Parent Income (line 1 minus line 2)		
<ul style="list-style-type: none"> <li>• Total Parent Income Additions – Total Parent Income Offsets</li> <li>• May be a negative number</li> </ul>	=	
Allowances Against Parents' Income		
4. Parents' U.S. Income Tax Paid (or Foreign Equivalent)		
5. Payroll Tax Allowance (Table A1)		
a. Medicare's Hospital Insurance (HI) Program Tax Rate (Table A1: Step 1) (If less than zero, put zero)	+	
b. Old-age, survivors, & disability insurance (OASDI) Tax Rate (Table A1: Step 2) (If less than zero, put zero)	+	
6. Income Protection Allowance (Table A2)		
<ul style="list-style-type: none"> <li>• Use the calculated Family Size and calculated Total Parent Income (line 3) to determine the IPA</li> </ul>	+	
7. Employment Expense Allowance (EEA)		
The lesser of:		
<ul style="list-style-type: none"> <li>• 35% of parents' combined earned income, OR</li> <li>• \$4,000.</li> </ul>	+	
8. Total Parent Allowances Against Income (sum lines 4, 5a, 5b, 6, and 7)	=	
Parents' Available Income (PAI)		
Total Parent Income (line 3)		
Total Parent Allowances Against Income (line 8)	-	
9. Parent Available Income (line 3 minus line 8)	=	
<ul style="list-style-type: none"> <li>• May be a negative number</li> </ul>		

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## Parent Contribution from Assets

10. Cash, savings, checking accounts, time deposits, and money market funds		
11. Net worth of investments • If negative, enter zero	+	
12. Trusts, stocks, bonds, derivatives, securities, mutual funds, tax shelters, qualified education benefits	+	
13. Child support received	+	
14. Net worth of real estate, vacation homes, income producing properties	+	
15. Adjusted net worth of business and/or farm (Table A3) • Net worth of business and/or farm multiplied by the applicable adjustment in Table A3.	+	
16. Net worth (sum of lines 10, 11, 12, 13, 14, and 15)	=	
17. Asset Protection Allowance (APA) (Table A4)	-	
18. Asset Conversion Rate (12%)	x	0.12
19. Parent Contribution from Assets (PCA) • (Line 16 minus line 17) times line 18 • If negative, enter zero	=	

## Total Parent Contribution

Parent Adjusted Available Income (PAAI)		
Parents' Available Income (line 9)		
Parents' Contribution from Assets (line 19)	+	
20. Parent Adjusted Available Income (PAI plus PCA) • May be a negative number	=	
Parents' Contribution (PC)		
21. Parents' Contribution (Table A5) • Adjust PAAI (line 20) using Table A5.	=	



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## Student Contribution from Income

Student Income Additions		
a. Student AGI		
b. Student Deductible Payments to IRS/KEOGH/Other	+	
c. Student Exempt Interest Income	+	
d. Student Untaxed Portions of IRA Distribution	+	
e. Student Untaxed Portions of Pensions	+	
f. Student Foreign Income Exclusion (reported on U.S. Tax Return)	+	
22. Total Student Income Additions (sum of lines a, b, c, d, e, and f)	=	
Student Income Offsets		
g. Student College Grant and Scholarship Aid		
h. Student Education Credits	+	
i. Student Rollover	+	
j. Student Federal Work-study (FWS)	+	
23. Total Student Income Offsets (sum lines g, h, i, and j)	=	
24. Total Student Income (line 22 minus line 23)		
<ul style="list-style-type: none"> <li>Total Student Income Additions – Total Student Income Offsets</li> <li>May be a negative number</li> </ul>	=	
Allowances Against Student Income		
25. Student U.S. Income Tax Paid or Foreign Equivalent		
26. Payroll Tax Allowance (Table A1)		
a. Medicare's Hospital Insurance (HI) Program Tax Rate (Table A1: Step 1; if negative, enter zero)	+	
b. Old-age, survivors, & disability insurance (OASDI) Tax Rate (Table A1: Step 2; if negative, enter zero)	+	
27. Income Protection Allowance	+	9,410
28. Allowance for parents' negative adjusted available income		
a. If line 20 is negative, enter line 20 as a positive number.		
b. If line 20 is zero or positive, enter zero.	+	
29. Total Student Allowances Against Income (sum lines 25, 26a, 26b, 27, and 28)	=	
Student's Contribution from Income		
Total Student Income (line 24)		
Total Student Allowances Against Income (line 29)	-	
30. Student Available Income (line 24 minus line 29)		
<ul style="list-style-type: none"> <li>May be a negative number</li> </ul>	=	
31. Assessment of Student Available Income (50%)	x	0.50
32. Student's Contribution from Income (line 30 times line 31)		
<ul style="list-style-type: none"> <li>If negative and &lt; -1,500, adjust to -1,500 (e.g., if -2,000 set to -1,500)</li> <li>If negative and &gt;= -1,500, do not adjust (e.g., if -1,000 leave as -1,000)</li> </ul>	=	

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## Student Contribution from Assets

33. Cash, savings, checking accounts, time deposits, and money market funds		
34. Net worth of investments • If negative, enter zero	+	
35. Trusts, stocks, bonds, derivatives, securities, mutual funds, tax shelters, qualified education benefits	+	
36. Net worth of real estate, vacation homes, income producing properties	+	
37. Adjusted net worth of business and/or farm (Table A3) • Net worth of business and/or farm multiplied by the applicable adjustment in Table A3.	+	
38. Net worth (sum of lines 33, 34, 35, 36, and 37)	=	
39. Asset Conversion Rate (20%)	x	0.20
40. Student Contribution from Assets (SCA) • Line 38 times line 39 • If negative, enter zero	=	

## Student Aid Index (SAI)

Parents' Contribution (line 21)		
Student's Contribution from Income (line 32)	+	
Student's Contribution from Assets (line 40)	+	
41. Student Aid Index (sum of lines 21, 32, and 40) • If negative and < -1,500, adjust to -1,500 (e.g., if -2,000 set to -1,500) • If negative and >= -1,500, do not adjust (e.g., if -1,000 leave as -1,000)	=	

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## Supplementary Tables for Formula A – Dependent Students

Table A1. Payroll Tax Allowance

Tax Rate Program	Tax Rate
Step 1: Medicare’s Hospital Insurance (HI) Program Tax Rate	IF Parent filed as Not Married (e.g., single, head of household, or qualifying widow(er)):
	<ul style="list-style-type: none"> <li>• 1.45% of parent earned income up to \$200,000, (+) plus</li> <li>• 2.35% of parent earned income over \$200,000</li> </ul>
	IF Parent filed as Married-Filed Joint Return (MFJ):
	<ul style="list-style-type: none"> <li>• 1.45% of parents’ combined earned income up to \$250,000, (+) plus</li> <li>• 2.35% of parents’ combined earned income <b>over</b> \$250,000</li> </ul>
Step 2: Old-age, survivors, and disability insurance (OASDI) Tax Rate	IF Parent filed as Married-Filed Separate Return (MFS):
	<ul style="list-style-type: none"> <li>• 1.45% of parent earned income up to \$125,000, (+) plus</li> <li>• 1.45% of parent spouse’s earned income up to \$125,000, (+) plus</li> <li>• 2.35% of parent earned income <b>over</b> \$125,000 (+) plus</li> <li>• 2.35% of parent spouse’s earned income <b>over</b> \$125,000</li> </ul>
	IF Dependent Student:
	<ul style="list-style-type: none"> <li>• 1.45% of dependent student earned income</li> </ul>
Step 2: Old-age, survivors, and disability insurance (OASDI) Tax Rate	IF Parent:
	<ul style="list-style-type: none"> <li>• For those reporting a single parental income, 6.2% of parent’s total earned income up to Contributions and Benefit Base of \$147,000 for Tax Year 2022. If parent’s total earned income exceeds \$147,000, then input \$9,114.*</li> <li>• For those reporting two parental incomes or whose parents filed a joint return, 6.2% of parents total earned income up to Contributions and Benefit Base of \$294,000 for Tax Year 2022. If parents’ total earned income exceeds \$294,000, then input \$18,228.*</li> </ul>
Step 2: Old-age, survivors, and disability insurance (OASDI) Tax Rate	IF Dependent Student:
	<ul style="list-style-type: none"> <li>• 6.2% of student’s total earned income up to Contributions and Benefit Base of \$147,000 for Tax Year 2022. If the student’s total earned income exceeds \$147,000, then input \$9,114.*</li> </ul>
<p>*Social Security's Old-Age, Survivors, and Disability Insurance (OASDI) program limits the amount of earnings subject to taxation for a given year. The same annual limit also applies when those earnings are used in a benefit computation. This limit changes each year with changes in the national average wage index. For earnings in 2022, this base is \$147,000.</p> <p>The OASDI tax rate for wages paid in 2021 is set by statute at 6.2 percent for employees and employers, each. Thus, an individual with wages equal to or larger than \$147,000 would contribute \$9,114 to the OASDI program in 2022.</p> <p>For more information visit: <a href="https://www.ssa.gov/oact/cola/cbb.html">https://www.ssa.gov/oact/cola/cbb.html</a></p>	

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Table A2. Income Protection Allowance

Family Size (including student)	Income Protection Allowance Amount
2	\$23,330
3	\$29,040
4	\$35,870
5	\$42,320
6	\$49,500
Note: For each additional household member, add \$5,590.	

Table A3. Business/Farm Net Worth Adjustment

If the net worth of a business or farm is ____	Then the adjusted net worth is ____
Less than \$1	\$0
\$1 to \$140,000	40% of net worth of business/farm
\$140,001 to \$415,000	\$56,000 + 50% of net worth over \$140,000
\$415,001 to \$695,500	\$193,500 + 60% of net worth over \$415,000
\$695,001 or more	\$361,500 + 100% of net worth over \$695,000

Table A4: Asset Protection Allowance (Parents Only)

Age of older parent as of 12/31/2023*	Allowance if there are two parents**	Allowance if there is only one parent	Age of older parent as of 12/31/2023*	Allowance if there are two parents**	Allowance if there is only one parent
25 or less	\$0	\$0	46	\$6,300	\$2,400
26	400	100	47	6,500	2,500
27	700	300	48	6,600	2,500
28	1,100	400	49	6,800	2,600
29	1,500	600	50	7,000	2,700
30	1,800	700	51	7,100	2,700
31	2,200	800	52	7,300	2,800
32	2,600	1,000	53	7,500	2,900
33	2,900	1,100	54	7,700	2,900
34	3,300	1,300	55	7,900	3,000
35	3,700	1,400	56	8,100	3,100
36	4,000	1,500	57	8,400	3,100
37	4,400	1,700	58	8,600	3,200
38	4,800	1,800	59	8,800	3,300
39	5,100	2,000	60	9,100	3,400
40	5,500	2,100	61	9,300	3,500
41	5,600	2,200	62	9,600	3,600
42	5,700	2,200	63	9,900	3,700
43	5,900	2,300	64	10,200	3,800
44	6,000	2,300	65 or older	10,500	3,900
45	6,200	2,400			

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\* Determine the age of the older parent listed in FAFSA/SAR and # as of 12/31/2023. If no parent date of birth is provided, use age 45.

\*\* Use the two-parent allowance when the parents' marital status listed in FAFSA/SAR # is "Married or remarried" or "Unmarried and both legal parents living together."

Table A5. Parents' Contribution from Adjusted Available Income

If the parents' AAI is _____	Then the parents' contribution from AAI is ____
Less than -\$6,820	-\$1,500
-\$6,820 to \$17,400	22% of AAI
\$17,401 to \$21,800	\$3,828 + 25% of AAI over \$17,400
\$21,801 to \$26,200	\$4,928 + 29% of AAI over \$21,800
\$26,201 to \$30,700	\$6,204 + 34% of AAI over \$26,200
\$30,701 to \$35,100	\$7,734 + 40% of AAI over \$30,700
\$35,101 or more	\$9,494 + 47% of AAI over \$35,100

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## Formula B – Independent Student Without Dependent(s) Other than a Spouse

- SAI = Student’s Contribution from Income + Student’s Contribution from Assets
- Note: SAI can be negative; if negative and less than -1,500 replace value to be -1,500

### Student Contribution from Income

Student (and Spouse) Income Additions		
a. Student (and Spouse) AGI		
b. Student (and Spouse) Deductible Payments to IRS/KEOGH/Other	+	
c. Student (and Spouse) Exempt Interest Income	+	
d. Student (and Spouse) Untaxed Portions of IRA Distribution	+	
e. Student (and Spouse) Untaxed Portions of Pensions	+	
f. Student (and Spouse) Foreign Income Exclusion (reported on U.S. Tax Return)	+	
1. Total Student (and Spouse) Income Additions (sum of lines a, b, c, d, e, and f)	=	
Student (and Spouse) Income Offsets		
g. Student (and Spouse) College Grant and Scholarship Aid		
h. Student (and Spouse) Education Credits	+	
i. Student (and Spouse) Rollover	+	
j. Student (and Spouse) Federal Work-study (FWS)	+	
2. Total Student (and Spouse) Income Offsets (sum lines g, h, i, and j)	=	
3. Total Student (and Spouse) Income (line 1 minus line 2)		
<ul style="list-style-type: none"> <li>• Total Student (and Spouse) Income Additions – Total Student (and Spouse) Income Offsets</li> <li>• May be a negative number</li> </ul>	=	
Allowances Against Student (and Spouse) Income		
4. Student (and Spouse) U.S. Income Tax Paid (or Foreign Equivalent)		
5. Payroll Tax Allowance (Table B1)		
a. Medicare’s Hospital Insurance (HI) Program Tax Rate (Table B1: Step 1; if negative, enter zero)	+	
b. Old-age, survivors, and disability insurance (OASDI) Tax Rate (Table B1: Step 2; if negative, enter zero)	+	
6. Income Protection Allowance (IPA)		
If the student is not married (single, separated or divorced/widowed):		
<ul style="list-style-type: none"> <li>• \$14,630</li> </ul>		
If the student is married (married/remarried):		
<ul style="list-style-type: none"> <li>• \$23,460</li> </ul>	+	
7. Employment Expense Allowance (EEA)		
If the student is not married (single, separated or divorced/widowed):		
<ul style="list-style-type: none"> <li>• \$0 (zero)</li> </ul>		
If the student is married (married/remarried), the lesser of:		
<ul style="list-style-type: none"> <li>• 35% of the student and student’s spouse combined earned income, OR</li> <li>• \$4,000</li> </ul>	+	
8. Total Student (and Spouse) Allowances Against Income (sum lines 4, 5a, 5b, 6 and 7)	=	

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Student's Contribution from Income		
Total Student (and Spouse) Income (line 3)		
Total Student (and Spouse) Allowances Against Income (line 8)	-	
9. Student Available Income (StAI; line 3 minus line 8) • May be a negative number	=	
10. Assessment of Student Available Income (50%)	x	0.50
11. Student's Contribution from Income (line 9 times line 10)	=	

## Student Contribution from Assets

12. Cash, savings, checking accounts, time deposits, and money market funds		
13. Net worth of investments • If negative, enter zero	+	
14. Trusts, stocks, bonds, derivatives, securities, mutual funds, tax shelters, qualified education benefits	+	
15. Child support received	+	
16. Net worth of real estate, vacation homes, income producing properties	+	
17. Adjusted net worth of business and/or farm (Table B2) • Net worth of business and/or farm multiplied by the applicable adjustment in Table B2.	+	
18. Net worth (sum of lines 12, 13, 14, 15, 16, and 17)	=	
19. Asset Protection Allowance (Table B3)	-	
20. Discretionary Net Worth • Line 18 minus line 19	=	
21. Asset Conversion Rate (20%)	x	0.20
22. Student Contribution from Assets (SCA) • Line 20 times line 21 • If negative, enter zero	=	

## Student Aid Index

Student Contribution from Income (line 11) • May be a negative number.		
Student Contribution from Assets (line 22)	+	
23. Student Aid Index (SAI) • If negative (-), and < -1,500, adjust to -1,500 (e.g., IF negative 2,000 set to -1,500) • If negative (-), and >= -1,500, leave as is (no adjustment) (e.g., IF -1,000 leave as -1,000)	=	

# 2024-2025 DRAFT Pell Eligibility and SAI Guide

## Supplementary Tables for Formula B – Independent Student Without Dependent(s) Other than a Spouse

Table B1: Payroll Tax Allowance

Tax Rate Program	Tax Rate
Step 1: Medicare’s Hospital Insurance (HI) Program Tax Rate	If Student filed as Not Married (e.g., single, head of household, or qualifying widow(er)):
	<ul style="list-style-type: none"> <li>• 1.45% of student earned income up to \$200,000, (+) plus</li> <li>• 2.35% of student earned income over \$200,000</li> </ul>
	If Student filed as Married-Filed Joint Return (MFJ):
Step 2: Old-age, survivors, and disability insurance (OASDI) Tax Rate	<ul style="list-style-type: none"> <li>• 1.45% of student and student spouse’s combined earned income up to \$250,000, (+) plus</li> <li>• 2.35% of student and student spouse’s combined earned income over \$250,000</li> </ul>
	If Student filed as Married-Filed Separate Return (MFS):
	<ul style="list-style-type: none"> <li>• 1.45% of student earned income up to \$125,000, (+) plus</li> <li>• 1.45% of student spouse’s earned income up to \$125,000, (+) plus</li> <li>• 2.35% of student earned income over \$125,000 (+) plus</li> <li>• 2.35% of student spouse’s earned income over \$125,000</li> </ul>
	<ul style="list-style-type: none"> <li>• For independent students without a spouse or those who only report a single tax return, 6.2% of total earned income up to Contributions and Benefit Base of \$147,000 for Tax Year 2022. If student’s total earned income exceeds \$147,000, then input \$9,114.*</li> <li>• For those reporting both student and student spouse income or whose are married and filed a joint return, 6.2% of total student and student spouse earned income up to Contributions and Benefit Base of \$294,000 for Tax Year 2022. If the student and student spouse total earned income exceeds \$294,000, then input \$18,228.*</li> </ul>
<p>*Social Security's Old-Age, Survivors, and Disability Insurance (OASDI) program limits the amount of earnings subject to taxation for a given year. The same annual limit also applies when those earnings are used in a benefit computation. This limit changes each year with changes in the national average wage index. For earnings in 2022, this base is \$147,000.</p> <p>The OASDI tax rate for wages paid in 2021 is set by statute at 6.2 percent for employees and employers, each. Thus, an individual with wages equal to or larger than \$147,000 would contribute \$9,114 to the OASDI program in 2022.</p> <p>For more information visit: <a href="https://www.ssa.gov/oact/cola/cbb.html">https://www.ssa.gov/oact/cola/cbb.html</a></p>	



# 2024-2025 DRAFT Pell Eligibility and SAI Guide

Table B2. Business/Farm Net Worth Adjustment

If the net worth of a business or farm is ____	Then the adjusted net worth is ____
Less than \$1	\$0
\$1 to \$140,000	40% of net worth of business/farm
\$140,001 to \$415,000	\$56,000 + 50% of net worth over \$140,000
\$415,001 to \$695,500	\$193,500 + 60% of net worth over \$415,000
\$695,001 or more	\$361,500 + 100% of net worth over \$695,000

Table B3: Asset Protection Allowance

Age of student as of 12/31/2023*	Allowance married student	Allowance for unmarried student	Age of student as of 12/31/2023*	Allowance married student	Allowance for unmarried student
25 or less	\$0	\$0	46	\$6,300	\$2,400
26	400	100	47	6,500	2,500
27	700	300	48	6,600	2,500
28	1,100	400	49	6,800	2,600
29	1,500	600	50	7,000	2,700
30	1,800	700	51	7,100	2,700
31	2,200	800	52	7,300	2,800
32	2,600	1,000	53	7,500	2,900
33	2,900	1,100	54	7,700	2,900
34	3,300	1,300	55	7,900	3,000
35	3,700	1,400	56	8,100	3,100
36	4,000	1,500	57	8,400	3,100
37	4,400	1,700	58	8,600	3,200
38	4,800	1,800	59	8,800	3,300
39	5,100	2,000	60	9,100	3,400
40	5,500	2,100	61	9,300	3,500
41	5,600	2,200	62	9,600	3,600
42	5,700	2,200	63	9,900	3,700
43	5,900	2,300	64	10,200	3,800
44	6,000	2,300	65 or older	10,500	3,900
45	6,200	2,400			

# 2024-2025 DRAFT Pell Eligibility and SAI Guide

## Formula C – Independent Student with Dependent(s) Other than a Spouse

- SAI = Student’s Contribution from Income + Student’s Contribution from Assets
- Note: SAI can be negative; if negative and less than -1,500 replace value to be -1,500

### Student Contribution from Income

Student (and Spouse) Income Additions		
a. Student (and Spouse) AGI		
b. Student (and Spouse) Deductible Payments to IRS/KEOGH/Other	+	
c. Student (and Spouse) Exempt Interest Income	+	
d. Student (and Spouse) Untaxed Portions of IRA Distribution	+	
e. Student (and Spouse) Untaxed Portions of Pensions	+	
f. Student (and Spouse) Foreign Income Exclusion (reported on U.S. Tax Return)	+	
1. Total Student (and Spouse) Income Additions (sum of lines a, b, c, d, e, and f)	=	
Student (and Spouse) Income Offsets		
g. Student (and Spouse) College Grant and Scholarship Aid		
h. Student (and Spouse) Education Credits	+	
i. Student (and Spouse) Rollover	+	
j. Student (and Spouse) Federal Work-study (FWS)	+	
2. Total Student (and Spouse) Income Offsets (sum lines g, h, i, and j)	=	
3. Total Student (and Spouse) Income (line 1 minus line 2)		
<ul style="list-style-type: none"> <li>• Total Student (and Spouse) Income Additions – Total Student (and Spouse) Income Offsets</li> <li>• May be a negative number</li> </ul>	=	
Allowances Against Student (and Spouse) Income		
4. Student (and Spouse) U.S. Income Tax Paid (or Foreign Equivalent)		
5. Payroll Tax Allowance (Table C1)		
a. Medicare’s Hospital Insurance (HI) Program Tax Rate (Table C1: Step 1; if negative, enter zero)	+	
b. Old-age, survivors, and disability insurance (OASDI) Tax Rate (Table C1: Step 2; if negative, enter zero)	+	
6. Income Protection Allowance (IPA)		
<ul style="list-style-type: none"> <li>• See Table C2 if the student is married (married/remarried) with dependents</li> <li>• Table C3 if the student is not married (e.g., single, head of household, or qualifying widow(er)) with dependents</li> </ul>	+	
7. Employment Expense Allowance (EEA)		
IF the student is not married (e.g., single, head of household, or qualifying widow(er)), the lesser of:		
<ul style="list-style-type: none"> <li>• 35% of the student earned income, OR</li> <li>• \$4,000</li> </ul>		
IF the student is married (married/remarried), the lesser of:		
<ul style="list-style-type: none"> <li>• 35% of the student and student’s spouse combined earned income, OR</li> <li>• \$4,000</li> </ul>	+	

# 2024-2025 DRAFT Pell Eligibility and SAI Guide

8. Total Student (and Spouse) Allowances Against Income (sum lines 4, 5a, 5b, 6 and 7)	=	
<b>Student's Available Income (StAI)</b>		
Total Student (and Spouse) Income (line 3)		
Total Student (and Spouse) Allowances Against Income (line 8)	-	
9. Student Available Income (line 3 minus line 8) <ul style="list-style-type: none"> <li>• May be a negative number</li> </ul>	=	

## Student Contribution from Assets

10. Cash, savings, checking accounts, time deposits, and money market funds		
11. Net worth of investments <ul style="list-style-type: none"> <li>• If negative, enter zero</li> </ul>	+	
12. Trusts, stocks, bonds, derivatives, securities, mutual funds, tax shelters, qualified education benefits	+	
13. Child support received	+	
14. Net worth of real estate, vacation homes, income producing properties	+	
15. Adjusted net worth of business and/or farm <ul style="list-style-type: none"> <li>• Net worth of business and/or farm multiplied by the applicable adjustment in Table C4.</li> </ul>	+	
16. Net worth (sum of lines 10, 11, 12, 13, 14, and 15)	=	
17. Asset Protection Allowance (APA; Table C5)	-	
18. Discretionary Net Worth <ul style="list-style-type: none"> <li>• Line 16 minus line 17</li> </ul>	=	
19. Asset Conversion Rate (7%)	x	0.07
20. Student Contribution from Assets (SCA) <ul style="list-style-type: none"> <li>• Line 18 times line 19</li> <li>• If negative, enter zero</li> </ul>	=	

## Student Aid Index

Student Available Income (line 9) <ul style="list-style-type: none"> <li>• May be a negative number.</li> </ul>		
Student Contribution from Assets (line 20)	+	
21. Student Adjusted Available Income (AAI) <ul style="list-style-type: none"> <li>• May be a negative number</li> </ul>	=	
22. Total Student Contribution from AAI (Table C6)	=	
23. Student Aid Index (SAI) <ul style="list-style-type: none"> <li>• If negative (-), and &lt; -1,500, adjust to -1,500 (e.g., IF negative 2,000 set to -1,500)</li> <li>• If negative (-), and &gt;= -1,500, leave as is (no adjustment) (e.g., IF -1,000 leave as -1,000)</li> </ul>	=	

# 2024-2025 DRAFT Pell Eligibility and SAI Guide

## Supplementary Tables for Formula C – Independent Students without Dependent(s) Other than a Spouse

Table C1: Payroll Tax Allowance

Tax Rate Program	Tax Rate
Step 1: Medicare’s Hospital Insurance (HI) Program Tax Rate	IF Student filed as Not Married (e.g., single, head of household, or qualifying widow(er)):
	<ul style="list-style-type: none"> <li>• 1.45% of student earned income up to \$200,000, (+) plus</li> <li>• 2.35% of student earned income over \$200,000</li> </ul>
	IF Student filed as Married-Filed Joint Return (MFJ):
Step 2: Old-age, survivors, and disability insurance (OASDI) Tax Rate	<ul style="list-style-type: none"> <li>• 1.45% of student and student spouse’s combined earned income up to \$250,000, (+) plus</li> <li>• 2.35% of student and student spouse’s combined earned income over \$250,000</li> </ul>
	IF Student filed as Married-Filed Separate Return (MFS):
	<ul style="list-style-type: none"> <li>• 1.45% of student earned income up to \$125,000, (+) plus</li> <li>• 1.45% of student spouse’s earned income up to \$125,000, (+) plus</li> <li>• 2.35% of student earned income over \$125,000 (+) plus</li> <li>• 2.35% of student spouse’s earned income over \$125,000</li> </ul>
	For independent students without a spouse or those who only report a single tax return, 6.2% of total earned income up to Contributions and Benefit Base of \$147,000 for Tax Year 2022. If student’s total earned income exceeds \$147,000, then input \$9,114.*
	For those reporting both student and student spouse income or whose are married and filed a joint return, 6.2% of total student and student spouse earned income up to Contributions and Benefit Base of \$294,000 for Tax Year 2022. If the student and student spouse total earned income exceeds \$294,000, then input \$18,228.*
<p>*Social Security's Old-Age, Survivors, and Disability Insurance (OASDI) program limits the amount of earnings subject to taxation for a given year. The same annual limit also applies when those earnings are used in a benefit computation. This limit changes each year with changes in the national average wage index. For earnings in 2022, this base is \$147,000.</p> <p>The OASDI tax rate for wages paid in 2021 is set by statute at 6.2 percent for employees and employers, each. Thus, an individual with wages equal to or larger than \$147,000 would contribute \$9,114 to the OASDI program in 2022.</p> <p>For more information visit: <a href="https://www.ssa.gov/oact/cola/cbb.html">https://www.ssa.gov/oact/cola/cbb.html</a></p>	

# 2024-2025 DRAFT Pell Eligibility and SAI Guide

Table C2. Income Protection Allowance – Married with Dependents

Family Size (Including Student)	Income Protection Allowance Amount
3	\$46,140
4	\$56,970
5	\$67,230
6	\$78,620
Note: For each additional household member, add \$8,880.	

Table C3. Income Protection Allowance – Single with Dependents

Family Size (Including student)	Income Protection Allowance Amount
2	\$43,920
3	\$54,690
4	\$67,520
5	\$79,680
6	\$93,180
Note: For each additional household member, add \$10,530.	

Table C4. Business/Farm Net Worth Adjustment

If the net worth of a business or farm is ____	Then the adjusted net worth is ____
Less than \$1	\$0
\$1 to \$140,000	40% of net worth of business/farm
\$140,001 to \$415,000	\$56,000 + 50% of net worth over \$140,000
\$415,001 to \$695,500	\$193,500 + 60% of net worth over \$415,000
\$695,001 or more	\$361,500 + 100% of net worth over \$695,000

# 2024-2025 DRAFT Pell Eligibility and SAI Guide

Table C5: Asset Protection Allowance

Age of student as of 12/31/2023*	Allowance married student	Allowance for unmarried student	Age of student as of 12/31/2023*	Allowance married student	Allowance for unmarried student
25 or less	\$0	\$0	46	\$6,300	\$2,400
26	400	100	47	6,500	2,500
27	700	300	48	6,600	2,500
28	1,100	400	49	6,800	2,600
29	1,500	600	50	7,000	2,700
30	1,800	700	51	7,100	2,700
31	2,200	800	52	7,300	2,800
32	2,600	1,000	53	7,500	2,900
33	2,900	1,100	54	7,700	2,900
34	3,300	1,300	55	7,900	3,000
35	3,700	1,400	56	8,100	3,100
36	4,000	1,500	57	8,400	3,100
37	4,400	1,700	58	8,600	3,200
38	4,800	1,800	59	8,800	3,300
39	5,100	2,000	60	9,100	3,400
40	5,500	2,100	61	9,300	3,500
41	5,600	2,200	62	9,600	3,600
42	5,700	2,200	63	9,900	3,700
43	5,900	2,300	64	10,200	3,800
44	6,000	2,300	65 or older	10,500	3,900
45	6,200	2,400			

\* Determine the age of the older parent listed in FAFSA/SAR and # as of 12/31/2023. If no parent date of birth is provided, use age 45.

\*\* Use the two-parent allowance when the parents' marital status listed in FAFSA/SAR # is "Married or remarried" or "Unmarried and both legal parents living together."

Table C6. Assessment from Adjusted Available Income

If the AAI is _____	Then the contribution from AAI is _____
Less than -\$6,820	-\$1,500
\$-6,820 to \$17,400	22% of AAI
\$17,401 to \$21,800	\$3,828 + 25% of AAI over \$17,400
\$21,801 to \$26,200	\$4,928 + 29% of AAI over \$21,800
\$26,201 to \$30,700	\$6,204 + 34% of AAI over \$26,200
\$30,701 to \$35,100	\$7,734 + 40% of AAI over \$30,700
\$35,101 or more	\$9,494 + 47% of AAI over \$35,100

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## Step 3 – Minimum – Pell Grant Eligibility Determination

Under HEA Sec. 401(b)(1)(C), a student is eligible for a Minimum Pell Grant if any of the following is true:

### ***Dependent Student***

1. The student's parent **is** a single parent and has an AGI less than or equal to 325% of the poverty guideline for the applicant's family size and state of residence; or
2. The student's parent **is not** a single parent and has an AGI less than or equal to 275% of the poverty guideline for the applicant's family size and state of residence.

### ***Independent Student***

1. The student **is** a single parent, and the AGI is less than or equal to 400% of the poverty line; or
2. The student **is** a parent and **is not** a single parent, and the AGI is less than or equal to 350% of the of the poverty guideline for the applicant's family size and state of residence; or
3. The student **is not** a parent, and the student's (and spouse's if applicable) AGI is less than or equal to 275% of the of the poverty guideline for the applicant's family size and state of residence.

### ***Components Necessary to Determine Minimum Pell Grant Eligibility***

The data elements necessary to determine eligibility for a Minimum Pell Grant are the same as the data elements used to determine eligibility for a Maximum Pell Grant (poverty guidelines, state of residence, and family size). Refer to those sections under [Step 1 – Maximum Pell Grant Eligibility Determination](#) for additional guidance.

### ***SAI for Minimum Pell Grant Recipients***

Students eligible for a Minimum Pell Grant under this guidance retain the SAI calculated in Step 2. All other aid should be packaged using the calculated SAI.

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## Appendix A: Definition of an Independent Student

Because the SAI formula for a dependent student uses parental data and the two formulas for independent students do not, the first step in calculating a student's SAI is to determine his or her dependency status. Under HEA 480(d), a student is automatically determined to be independent for federal student aid purposes if he or she meets one or more of the following criteria:

- The student was born before January 1, 2001.
- The student is married (but not separated or divorced) as of the date of the application.
- At the beginning of the 2024-25 school year, the student will be enrolled in a master's or doctoral degree program (such as MA, MBA, MD, JD, PhD, EdD, or graduate certificate, etc.).
- The student is currently serving on active duty in the U.S. Armed Forces or is a National Guard or Reserves enlistee called into federal active duty for purposes other than training.
- The student is a veteran of the U.S. Armed Forces.<sup>3</sup>
- The student has or will have one or more children who live with and receive more than half of their support from the student, now and through the last day of the award year.
- The student has dependent(s) (other than children or spouse) who live with and receive more than half of their support from the student, now and through the last day of the award year.
- At any time since the student turned age 13, both student's parents were deceased, or the student was in foster care or was a dependent or ward of the court.
- As determined by a court in the student's state of legal residence, the student is now, or was upon reaching the age of majority, an emancipated minor (that is, released from control by his or her parent or guardian).
- As determined by a court in the student's state of legal residence, the student is now, or was upon reaching the age of majority, in legal guardianship.
- On or after July 1, 2023, the student was determined by a high school or school district homeless liaison to be an unaccompanied youth who was homeless or was self-supporting and at risk of being homeless.
- On or after July 1, 2023, the student was determined by the director of an emergency shelter or transitional housing program funded by the U.S. Department of Housing and Urban Development to be an unaccompanied youth who was homeless or was self-supporting and at risk of being homeless.
- At any time on or after July 1, 2023, the student was determined by a director of a runaway or homeless youth basic center or transitional living program to be an unaccompanied youth who was homeless or was self-supporting and at risk of being homeless.

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<sup>3</sup> Veteran is defined as a student who: (1) has engaged in active service in the U.S. Armed Forces (Army, Navy, Air Force, Marines, or Coast Guard), or has been a member of the National Guard or Reserves who was called to active duty for purposes other than training, or was a cadet or midshipman at one of the service academies, or attended a U.S. military academy preparatory school, and (2) was released under a condition other than dishonorable. A veteran is also a student who does not meet this definition now but will by June 30, 2025.



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- The student is determined by a college financial aid administrator to be an unaccompanied youth who is homeless or is self-supporting and at risk of being homeless.

For students who do not meet any of the above criteria but who have documented unusual circumstances, an FAA can override their dependency status from dependent to independent. For information about dependency overrides, see the Application and Verification Guide, which is part of the Federal Student Aid Handbook and can be found on the Knowledge Center Web site. Additional guidance on the implementation of unusual circumstances under the FAFSA Simplification Act is also available in [Dear Colleague Letter GEN-22-15](#), published on November 4, 2022.