

FAFSA SIMPLIFICATION UPDATES

2024-2025

Small Business and Family Farm Assets

There are a number of significant updates that are part of the major redesign of the 2024–25 Free Application for Federal Student Aid (FAFSA). One of those changes is to reinstate the requirement to report as assets the net worth of small businesses and family farms that are the principal places of residence. The updated FAFSA form will be available by December 31, 2023.



What is the net worth of small businesses and investment farms?

Net worth is the value of the businesses or farms minus any debts owed against them. The FAFSA asks for the net worth of the parent's businesses or for-profit agricultural operations.

What is considered a “small business”?

Applicants will be asked to report the net worth of all businesses as assets, regardless of the size. The net worth of a business is no longer limited to those with more than 100 full-time employees, which means family-owned and

controlled businesses will need to be reported.

What is considered an “investment farm”?

Families that own property for which they file an IRS Schedule E or F—where they report any type of farm income—should consider that property a farm for the sake of asset reporting. Schedule E and F capture all types of income or losses generated from farming.

What is included in the net worth of a farm?

Under the new FAFSA, the net worth of a farm includes the value of a family farm. The net worth may include the “fair market” value of land, buildings, livestock, unharvested crops, and machinery actively used in investment farms or agricultural or commercial activities, minus any debts held against those assets.* The value of a family’s primary residence is still excluded.

What assets can be excluded for a primary residence on family farmland?

Primary residences are exempt from reporting on the FAFSA. The dwelling and the land a family lives on that is not used for farming (non farm-land) can be excluded from asset reporting. Land used for farms must be reported.

What do these changes mean for students completing the FAFSA?

The effect of these changes on individual students will vary according to each student’s circumstances. The values of small businesses and family farms will be assessed at a graduated rate (where tax rates increase as income increases), so

some students with these types of assets will see their eligibility decrease, while others may find their eligibility increases.

What do these changes mean for Pell Grant eligibility?

When a family's income is below the threshold, the student could still qualify for an automatic minimum Federal Pell Grant regardless of the net worth of the business or farm, because the automatic minimum Pell Grant is based on income and household size.