Washington State
State Program Policy

Policy Number: 7010 Revision 8

Policy Title: Community Reinvestment Plan Matched Investment Savings Accounts (MISAs)

Effective Date: July 1, 2025, through June 30, 2027

Revision Effective Date: October 22, 2026

1. Purpose:

The purpose of this policy is to outline the structure and implementation of the Matched Investment Savings Accounts (MISAs) program, ensuring clear guidelines for participant eligibility, contribution matching, personal finance education and coaching requirements, and withdrawal conditions. This policy aims to support the financial self-sufficiency and asset- building goals of economically disadvantaged individuals and families in Washington State, with a specific focus on Black, Tribal, Latine, Asian, Hawaiian and Pacific Islander communities, as part of the broader Community Reinvestment Plan.

This eighth revision adds consumer debt as an allowable use of MISA funds.

2. Background:

Matched Investment Savings Accounts (MISAs), part of the Community Reinvestment Plan (CRP) funded by Community Reinvestment Funds (CRF) through an interagency agreement between Washington State Department of Commerce (Commerce) and Employment Security Department (ESD), aim to support participants' future asset-building or investment goals. MISAs retain the core intent of Individual Development Accounts (IDAs) as defined in the CRP by Commerce and ESD but do not meet the technical definition of an IDA as defined in statute.

For the purposes of this program, a MISA is defined as a custodial account, managed by Local Workforce Development Boards (LWDBs) and/or their subrecipients, to provide a 1:1 match for participants' savings, with a maximum of $10,000 in matched funds to enhance financial self-sufficiency. Participants can make withdrawals for approved purposes once they meet personal finance education and coaching requirements and adhere to their Savings Plan Agreement, as detailed on page 5. Emergency withdrawals are permitted under specific circumstances after other support options have been explored, as referenced on page 6.

3. Policy:

This policy outlines the structure and requirements for the Matched Investment Savings Account (MISA) program. It includes:

- **MISA Program Overview:** A comprehensive explanation of the program's purpose

The WorkSource System is an equal opportunity employer/program. Auxiliary aids and services are available upon request to individuals with disabilities. Language assistance services for limited English proficient individuals are available free of charge.

and objectives.
- **Personal Finance Education and Coaching Requirements:** Detailed requirements for financial education and coaching.
- **MISA and Banking Partner Guidelines:** Guidelines for collaboration with banking partners.

a. Matched Investment Savings Accounts Program Overview

i. Participant Eligibility

- For a participant to be eligible for the MISA Program, applicants must meet the following requirements:
- Be enrolled or co-enrolled in Federal EcSA per WIOA Title I-B Policy 5625
OR
- Be enrolled or co-enrolled in State EcSA per State Program Policy 7000
OR
- Have previously been enrolled in and successfully exited from State EcSA with employment income above their self-sufficiency goal.
    - These participants are not required to be reenrolled in State EcSA to participate in the MISA program. Participants must be enrolled in the Community Reinvestment Fund program and comply with all other program guidelines and procedures as outlined in this policy.
    - Any case management support provided to exited participants must be funded solely with Community Reinvestment Program funds.
- Be 18 years of age or older, or an emancipated youth.
- Complete a Savings Plan Agreement to establish financial goals as outlined in Savings Plan Agreement section below.
- Sign a participant authorization form authorizing the Local Workforce Development Board (LWDB)/subrecipient to open a custodial account with the selected banking partner.
- Complete all forms and follow all processes mandated by the bank for account opening as part of their enrollment in the program.

ii. Eligibility documentation

- Save a copy of the Savings Plan Agreement in the participant's case file. Save a copy of the signed participant authorization form in the participant's case file.

iii. Participants with MISAs prior to July 1, 2025

- All participants who opened a MISA custodial account and made at least one deposit prior to July 1, 2025, may, at LWDB discretion, be maintained under previous program terms of a 2:1 match rate up to $30,000 in savings ($10,000 in individual contribution and $20,000 in matched contributions). Participants must comply with all other terms of the revised program and may not increase the amount of their original savings plan.

iv. Savings Plan Agreement

Each participant must collaboratively create a Savings Plan Agreement to guide their involvement in the MISA program with their LWDB/subrecipient case manager. LWDBs/subrecipients will develop their own individualized structure for the Savings Plan Agreement, but the agreement must include the following elements:

- **Contribution Details**

- Outline anticipated participant contribution and frequency of contribution. 1:1 match will be limited to $10,000 contributed by the participant. The savings goal must align with the cost of the asset(s) that the participant is saving for.
- Outline the planned source of participant contributed funds. The contributions may be derived from earned income or other personal resources. Other income may include, but is not limited to, incentives, child support payments, supplemental security income, and disability benefits.

- **Matching Funds**
  - Ensure the participant understands that the 1:1 matching funds are applied only up to the first $10,000 of their savings, which means the program will contribute a maximum of $10,000, capping the total combined savings at $20,000. Any participant contributions exceeding $10,000 will not receive additional matching funds.
  - Participant contributions will only be matched as outlined in the participant's savings plan, up to the planned total savings goal. Participants must formally amend their savings plans to adjust their planned contribution amounts.

- **Participant Financial Goals**
  - Specify the total savings goal or goals combining participant contributions and matching funds. The savings goal(s) must align with the specific asset(s) that the participant is saving towards, which may be less than the maximum $20,000, depending on the type of asset(s).
  - Define the timeframe over which the savings will accumulate, including the amount the participant will save on a specific frequency
  - Identify the specific asset(s) and/or investment (s) for which the savings are intended.
  - Outline key milestones associated with the savings plan that support the participant in reaching their savings goal to purchase their planned asset(s).

- **Withdrawal Conditions**
  - Ensure participant understands that withdrawal or transfer of funds may have tax or public assistance eligibility impacts which they have responsibility to report.
  - Ensure that participants understand the withdrawal conditions as detailed in section C. Withdrawals for purchasing assets or investments are contingent upon completing all required financial coaching modules. Once these conditions are met, participants may withdraw funds to purchase approved assets or investments as detailed in their Savings Plan Agreement.

- **Regular Updates**
  - Savings Plan Agreements can be revised and updated, as needed, based on mutual agreement between the participant and their case manager. Once updated, the revised agreement must be retained and attached to the participant's case file.

- **Program Completion and Closure/Conversion of Account**
  - Ensure that participants understand that they will remain enrolled in the Community Reinvestment program as a MISA participant and expected to remain engaged in program until the time in which they have purchased their approved asset(s). The LWDB/subrecipient maintains responsibility as the custodian of the account until the savings plan has been fulfilled

and the approved asset(s) have been purchased. Only after confirmation of purchase of asset can the custodial account be transitioned to a non-custodial account, or closed, at which time any balance in the account becomes full property of the participant, with unrestricted withdrawal privileges.

v. MISA Participant Flow Process

MISA participants must be fully enrolled in State EcSA or Federal EcSA and the Community Reinvestment Fund program prior to completing the following steps. For previously exited State EcSA participants engaging in the MISA program, there must be evidence in the State MIS of prior State EcSA enrollment and successful exit, and the participant must be enrolled in the Community Reinvestment Fund program prior to completing the following steps:

- **Create a Savings Plan Agreement**
  - Participants will work with case manager(s) from designated LWDBs/subrecipients to develop a personalized savings plan.
- **Financial Coaching**
  - Participants must complete the required financial coaching, as defined in this policy, before they are eligible for non-emergency withdrawals. However, they do not need to have started or completed personal finance education and coaching to open their account.
- **Account Management**
  - Participants will open a custodial savings account at a participating bank, coordinated by LWDB/subrecipient, with the LWDB/subrecipient as the custodian of the account.
- **Deposits**
  - Participants will make deposits from their personal funds, as required by the Savings Agreement. Participants' savings contributions can also be made with CRF/EcSA incentive funds, directly from the LWDB/subrecipient to the banking institution, based on request by the participant.
- **Matched Funds**
  - Matching funds begin accruing with the first deposit.
- **Withdrawals**
  - Withdrawals can be made for approved purchases or emergencies as outlined below.

vi. Fund Management & Guidelines

- **Matching Account**
  - Each LWDB/subrecipient will maintain a single account containing CRF funds to be used as matched funds when a participant makes a deposit. There is no defined minimum or max account balance that must be maintained for these accounts.
  - MISA matches must be funded only with Community Reinvestment Program funds.
  - The MISA program will be monitored by the ESD Monitoring Unit, at a time and in a manner to be determined in consultation between the Grants Management Office, the ESD Monitoring Unit, and the LWDB to be monitored.
- **Custodial Accounts**
  - Participants will open individual custodial accounts to serve as their MISA, with the LWDB/subrecipient as the account's custodian.
- **Deposits**

- Participants will deposit into their custodial accounts, and LWDBs/subrecipients can also make direct deposits on the participant's behalf with incentive payment funds the participant has earned.

- **Matched Fund Transfer**
  - Once the bank receives approval from the LWDB/subrecipients, funds will be transferred from the LWDB/subrecipient's Matching Account to the participant's personal, custodial account. LWDBs/subrecipients must fully match all contributions by no later than the end of the savings plan. Attempt should be made to carry out matches as promptly as practical.
  - The transfer of matching funds must be completed prior to the participant receiving authorization to make withdrawals.
- **Withdrawal Approval**
  - Participants cannot withdraw any funds from their Custodial Account without prior approval from the LWDB/subrecipient.
- **Program Completion and Account Conversion/Closure**
  - Participants must remain attached to the Community Reinvestment program enrollment and the LWDB/subrecipient must maintain responsibility as the custodian of the account until the savings plan has been fulfilled and the approved asset(s) have been purchased. Only after confirmation of purchase of asset, can the custodial account be transitioned to a non-custodial account or closed, at which time any balance in the account becomes full property of the participant, with unrestricted withdrawal privileges.

b. Personal Finance Education and Coaching Requirements

- **Completion Requirement:** Personal Finance Education and Coaching that meets the standard outlined below must be completed by the participant before the first withdrawal of matched funds, excluding approved emergency uses.
- **Flexible Training Options:** LWDBs can partner with any organization that offers personal finance education and coaching that meets the standards outlined below.

i. Local Board Contracting for Personal Finance Education and Coaching

- LWDBs can contract/partner directly with Financial Beginnings without needing to procure. Partnering with Financial Beginnings offers the following benefits:
  - Client access to Financial Beginnings' Online Learning Platform (Financial Beginnings Online) that pairs self-paced basic financial literacy curricula with live in-person and/or virtual personal finance education and coaching sessions.
  - Regular reporting on each client's progression through the pre-approved curricula.
  - Regular reporting on client experience with and impact of the curricula.
  - Access to Financial Beginnings contract and process templates, including per participant defined cost of $275.
- LWDBs can contract/partner directly with By and For Organizations that received Community Reinvestment Plan (CRP) funds for Personal Finance Education and Coaching without needing to procure (see CRP-funded organizations providing financial coaching and mentorship for list).
- LWDBs are authorized to train their own staff to deliver personal finance education and coaching, using established curricula from Financial Beginnings or other curricula that comply with the standards outlined below.

- LWDBs can follow their local procurement policies to contract/partner with organizations that provide personal finance education and coaching that comply with the standards outlined below.

ii. Provider Requirements

- **Documentation and Review:** Providers must document completion of the required Personal Finance Education and Coaching standard training elements outlined below by each participant. Methods of documentation may include case notes or transcripts from learning management software.
- **Withdraw Approval:** Participants must complete the core topics identified below and complete any additional personal finance education and coaching as defined in their Savings Plan Agreement before they can make a non-emergency withdrawal of funds for their assets or investment goal.

iii. Personal Finance Education and Coaching Standards:

Programs must provide at least 10 hours of Personal Finance Education and Coaching to all MISA enrolled participants, which includes offering a mix of virtual and/or in- person instruction and/or one-on-one support.

To ensure participants are well-prepared to manage the matched funds responsibly, the core topics below are required:

1) **Introduction to Banking and Budgeting – including:**
   a) An overview of the banking system and budgeting techniques
   b) Short-, intermediate-, and long-term financial goal setting
2) **Income and Tax Systems**
   a) Current and future income potential
   b) Financial responsibilities, tax systems
3) **Credit Management**
   a) Establishing and maintaining strong credit
   b) Finding and monitoring credit reports and scores
   c) Understanding loan types and implications
4) **Individualized Coaching: Applying Tools to your Life**
   a) Using SMART goals to identify and create a plan to achieve your personal dreams
   b) Developing debt reduction and savings plans.
   c) Utilizing a bill prioritization framework when cash is short

Additional elements can be determined collaboratively between participants and their case managers, and to be defined in the participant's Savings Plan Agreement, to ensure a comprehensive understanding of financial details tailored to each participant's unique needs and goals.

c. MISA and Banking Partner Guidelines

i. Participant Withdrawal of MISA Funds

- **Purchase of Asset or Investment:** Participants can make a withdrawal for the purchase of one of the qualifying assets or investments identified below, provided the items are for their own use and are reviewed and approved by LWDB/subrecipient. This is allowed once they have completed the required

financial coaching and met the goals outlined in their Savings Plan Agreement. Participants from the same household (as defined in Policy 7000) may jointly purchase the assets marked with an asterisk, provided the asset is for both participants' use and benefit. Both participants' names must be listed on the documentation evidencing ownership, sale, or financial responsibility, including but not limited to bills of sale, vehicle titles, mortgage documents, business license, or rental/lease agreements. Qualifying assets/investments are limited to:

- Postsecondary education and training
- Homeownership or rental move-in expenses, including first and last month's rent plus deposit *
- Starting or scaling a business including start-up cost, equipment, etc. *
- Purchase of land for residential or business use *
- Computer purchase
- Automobile purchase *
- Home additions and expansions *
- Assistive technologies
- Broadband access in housing and connectivity costs *

The following investments may be designated as part of a Savings Plan Agreement, but payment for them may only be issued as a lump sum once the savings goal is met. Participants from the same household (as defined in Policy 7000) may jointly repay on items marked with an asterisk, provided that both participants are listed borrowers on the loan or mortgage.

- Repayment of existing student loan debt accrued for the participant's education.
- Repayment (full or partial) of business loan (must verify source of loan, maintain on file a copy of the original loan documents, and must be a currently operating business) *
- Payments toward an existing home mortgage held by the participant. *
- Repayment of existing automobile loans for the primary vehicle owned and used by the participant. *
- Repayment of existing consumer debt (must verify account and creditor information, maintain a copy of documentation of debt on file (current statements, collection notices, or comparable records confirming account ownership, balance, creditor, and payment terms), and include documentation of how the debt creates barrier to housing, employment, education, transportation, financial stability or future asset acquisition). Consumer debt includes:
    - Interest-bearing credit card debt
    - Collection accounts
    - Payday loans or other consumer loans
    - Utility arrears or collections
    - Medical debt that cannot be resolved through insurance, financial assistance, correction, or dispute processes
    - Past-due childcare obligations*

- **Emergency Withdrawals:** LWDBs/subrecipients must review and approve emergency withdrawal requests by participants. Emergency withdrawals are permissible only after all other support options, including State EcSA, Federal EcSA, and WIOA resources, have been fully explored. Participants can request emergency withdrawals for the following reasons:
    - Necessary medical expenses.

- To avoid eviction or foreclosure of the participant from the participant's residence.
- Essential expenses to maintain or sustain employability after a job loss, such as phone and living expenses.
- Expenses related to transportation for employment, including car payments if the vehicle is at risk of repossession, maintenance costs such as repairs, new tires, oil changes, and other critical vehicle expenses necessary for commuting to work or programmatic meetings. Also covers bus passes, gas, and car insurance when other transportation aid options are unavailable.
- Childcare expenses critical for attending work or program-related meetings, provided state childcare assistance has been applied for and no alternative payment options are available.
- Unexpected household repairs, urgent household moves, or significant life changes that impact the participant's ability to participate in the program.
- Unexpected burial expenses or unanticipated travel expenses for an out-of-town funeral.

ii. Withdrawal Guidelines

LWDB/subrecipient must develop local processes for participant withdrawals that address the following elements:

- **Withdrawal Request Details**
  - Each withdrawal request from the participant must specify the name of the institution/vendor where the asset or investment will be purchased, date, and the exact amount to be withdrawn.
- **Verification of Institution/Vendor**
  - LWDB/subrecipient will verify that the institution or vendor where the asset/investment purchase will be made is a known and legitimate business. For unfamiliar institutions or vendors, conduct due diligence to confirm legitimacy, such as checking business licensure, conducting participant's own research, and performing reference checks.
- **Documentation for Payments**
  - Payments can be made directly to the institution/vendor either by a cashier's check issued in their name or via electronic transfer.
  - Documentation detailing the transfer specifics, including date, destination, amount, and justification of need must be maintained in the participant case files.
  - In cases where matching funds are sent directly to the participant, the following documentation must be included in participant case files:
    - A copy of the match funds check made out to the participant.
    - Details of any electronic fund transfer; or
    - A deposit receipt showing the match funds deposited into the participant's account.
  - Emergency Withdrawals – LWDBs/subrecipients must follow the state policy for emergency withdrawals and maintain all documentation in participant case files.
- **Exceptions and Special Cases**
  - Small Businesses or individuals as the institution/vendor: If standard verification steps are impractical (e.g., when dealing with small businesses or individuals), include a documented reason for the exception. Requires

additional documentation of the purchase, such as a bill of sale or copy of an inspection report and the title for vehicle purchases, which must be assigned to the participant.

- **Reimbursement Requests**
  - Participants are permitted to make eligible purchases for reimbursement only after fulfilling all specified personal finance education and coaching requirements.
  - If a participant requests reimbursement for a qualified purchase they have already made, ensure that documentation of the purchase is provided.

iii. Local Board Contracting with Banking Partner(s)

LWDBs have the following options to contract with banking partner(s) to provide participant MISA custodial accounts:

- **Direct Agreement with Columbia Bank**
  - LWDBs can partner directly with Columbia Bank without needing to procure.
  - Benefits include access to the SharePoint site and Columbia Bank's contract and process templates.
- **Agreements with other banking partner(s)**
  - LWDBs must follow their local procurement policies to partner with any other banking institution that meets the Community Reinvestment Plan funded MISA definition and standards as outlined in this policy.

iv. Role of the Banking Partner

- **Technical and Participant Support**
  - Establish a process for immediate technical support to resolve system issues quickly.
  - Set up a robust participant service framework to manage inquiries and support account management, in coordination with LWDBs/subrecipients.
  - Provide staff training in cultural sensitivity and inclusivity to ensure respectful communication.
  - Offer multilingual support services to enhance accessibility for Washington's diverse population.
- **Technology and Security**
  - Implement systems for efficient transaction handling and secure online account management.
- **Reporting and Monitoring**
  - Establish systems to ensure transparency and accountability.

v. Required Account Types and Banking Options

- **Types of Accounts Required**:
  - **Custodial Savings Accounts**
    - Participants will open custodial savings accounts where their personal contributions and matched funds will be held.
  - **Matching Funds Account**
    - LWDBs/subrecipients will maintain a separate "matching funds" account with the bank where matched funds are stored until they are disbursed to participant custodial accounts in accordance with program policies and procedures.
- **Banking Options**

- Provide both in-person and digital banking options to accommodate the preferences and needs of all participants, ensuring accessibility regardless of location or mobility.

vi. Collaboration and Information Sharing

- **Equitable Service Requirement:**
  - Ensure that every participant that has been determined eligible by the LWDB/subrecipient has equal access to the MISA program and its benefits. This includes setting up fair, transparent, and efficient account opening procedures in collaboration with LWDBs/subrecipients and bank branches.
- **Information Sharing:**
  - Maintain open and regular communication with LWDBs/Subrecipients, sharing necessary information to facilitate the management and oversight of MISAs and to facilitate program reporting requirements to ESD. This includes participant enrollment data and transaction histories.

vii. Conversion or Closure of Custodial Accounts and Program Completion

At the time that the participant has purchased the approved asset or assets and has completed their participation in the MISA program, the custodial account is to be converted to a non-custodial checking or savings account. If bank policy does not allow this, the custodial account can be closed and the funds provided to the participant who is encouraged to start a new checking/savings account at a financial institution of their choosing. The conversion or closure of the custodial account grants participants full discretion over any balance of funds with unrestricted withdrawal privileges.

If a participant fails to complete the program or withdraws from the program prior to completion, all matched contributions remain property of the LWDB/subrecipient and all contributions of the participant are to be immediately turned over to the participant's control.

Role of the LWDB/Subrecipient:

- **Release of Funds:** LWDB/subrecipient prompts the closure or conversion of the custodial account to a non-custodial account or savings account with the banking partner, thus releasing funds to the participants. Any funds in a participant's MISA are not to be released to the participant until the point at which the LWDB/subrecipient approves.
- **Policy and Communication:** Record official policy decisions and communicate with banking partners to facilitate unrestricted access to funds.
- **Documentation Updates:** Update the State MIS to reflect the participant's completion of the program.
- **Subrecipient Monitoring and Fiscal Controls**: Implement subrecipient monitoring and fiscal controls to safeguard the integrity of the MISA program.

Role of the Participant:

- **Account Review and Confirmation:** Review account status to ensure current personal information and resolve discrepancies.
- **Provide Documentation:** Provide copies of receipts, vendor information, and any other documentation required for LWDB/subrecipient to meet documentation requirements for asset purchases.

- **Preparation for Closure:** Confirm all relevant account details to aid in the transfer.
- **Closure Confirmation:** Receive and confirm account closure once processes are completed.

Role of the Bank:

- **Communication and Collaboration:** Collaborate with program administrators to ensure timely communication about the closure process to participants.
- **Information Dissemination:** Provide updates and information to participants throughout the closure process, addressing questions and concerns.
- **Account Management and Transition:** Assist in transitioning accounts by transferring funds to new accounts, converting accounts, or closing accounts as per participant choices and program guidelines.
- **Transaction Processing:** Handle transactions related to the closure, including withdrawals, transfers, and disbursements, ensuring compliance with program rules and participant requests.
- **Regulatory Compliance:** Ensure all actions taken during account closures comply with banking regulations and program rules.
- **Support and Resolution:** Provide ongoing support and resolve issues during the closure process.
- **Reporting and Maintenance:** Generate final reports summarizing closure activities and maintain accounts until all closure activities are concluded.

4. Definitions:

Custodial Account: The Local Workforce Development Boards (LWDBs) or subrecipients function as custodians for the participant's funds within the CRF program. In this role, they have the authority and responsibility to administer the funds on behalf of the participant. This fiduciary role includes managing the funds within the guidelines of the program and ensuring all actions are in the best interest of the account owner.

Participant Authorization Form: Participants must sign to consent to specific actions within the program, including authorizing the processing of personal information, accessing financial services, and allowing Columbia Bank to manage transactions according to program guidelines. Additionally, participants must grant LWDBs/subrecipients the authority to act on their behalf within the scope of the program.

1:1 Match: A financial matching system where for every dollar the participant deposits into their account, the program contributes one dollar, effectively doubling the total savings amount up to a specified limit.

Financial Beginnings: A national organization that aims to address the country's widening wealth gap through accessible and unbiased personal finance education and coaching for all ages and backgrounds. Their programs are designed to empower learners with the knowledge and skills needed to achieve financial stability and success through culturally responsive education that caters to diverse learning needs.

5. References:

- Community Reinvestment Plan Report

- Workforce Professionals Center EcSA Information
- State Program Policy 7000 Revision 4, State Economic Security for All Program

6. Supersedes:

State Program Policy 7010, Revision 7 – CRP MISA; Effective July 1, 2025, Revised July 13, 2026
State Program Policy 7010, Revision 6 – CRP MISA; Effective July 1, 2025, Revised May 8, 2026
State Program Policy 7010, Revision 5 – CRP MISA; Effective July 1, 2025, Revised December 2, 2025
State Program Policy 7010, Revision 4 – CRP MISA; Effective July 1, 2025, Revised September 18, 2025
State Program Policy 7010, Revision 3 – CRP MISA; Effective July 1, 2025
State Program Policy 7010, Revision 2 – CRP MISA; Effective October 1, 2024, Revised March 10, 2025
State Program Policy 7010, Revision 1 – CRP MISA; Effective October 1, 2024, Revised January 21, 2025
State Program Policy 7010 – Community Reinvestment Plan (CRP) Matched Investment Savings Accounts (MISAs); Effective October 1, 2024

7. Website:

Workforce Professionals Center

8. Action:

Local Workforce Development Boards (LWDBs), their contractors, and Employment Security Department Regional Directors must distribute this policy broadly throughout the system to ensure that WorkSource System staff are familiar with its content and requirements.

9. Attachments:

Attachment A – MISA Tax Guidance

Bank Procedures and Guiding Documents:
All documents and forms can be found at Workforce Professionals Center - Economic Security for All (EcSA) initiative resources, including:
– Columbia Bank Account Opening, Management and Closing Processes
– MISA New Account Process
– MISA Withdrawal Process
– MISA Withdrawal Request Form
– Remote Wire or Cashier's Check Request Agreement
– MISA Partnership Agreement
– MISA SharePoint New Account Request

Direct Procedural or Technical Inquiries To:

Grants Management Office
Employment System Policy and Integrity
Division Employment Security Department

P.O. Box 9046
Olympia, WA 98507-9046
WorkforceInitiatives@esd.wa.gov

Direct Policy Inquiries To:

Employment System Administration and Policy
Employment System Policy and Integrity
Division Employment Security Department
P.O. Box 9046
Olympia, WA 98507-9046
SystemPolicy@esd.wa.gov

Attachment A:

Matched investment Savings Account (MISA) Tax Guidance

In managing Matched Investment Savings Accounts (MISAs), customer contributions are subject to interest income when the customer takes control of the contributions. This occurs when they use the funds for a qualifying asset/investment, withdraw funds before eligibility, or upon program termination. The Banking Partner will issue a Form 1099-INT for the interest amount in the applicable year. Matching contributions, treated as gifts, are not included in the customer's income and are exempt from reporting requirements, so no Form 1099 will be issued. It is advised that WWA and LWDBs refrain from providing individual tax advice on an individual level for these customers. The advice provided below relates to taxation of the interest and the matching gifts and the requirement for the Banking Partners to report, or not report, such income to the Customer.

Customer Contributions

The Law
Code § 61 and the applicable Treasury Regulations, specifically Treas. Reg. 1.67-7, provides that, as a general rule, interest received by or credited to a taxpayer constitutes gross income and is fully taxable. Interest income includes interest on savings or other bank deposits. Code § 451(a) provides that the amount of any item of gross income shall be included in the gross income for the taxable year in which received by the taxpayer. However, Treas. Reg. § 1.451-2(a) provides that, income although not actually reduced to a taxpayer's possession is constructively received by him in the taxable year during which it is credited to his account, set apart for him, or otherwise made available so that he may draw upon it at any time, or so that he could have drawn upon it during the taxable year if notice of intention to withdraw has been given. However, income is not constructively received if the taxpayer's control of its receipt is subject to substantial limitations or restrictions.

Lastly, Code § 6049(a) provides that every person (1) who makes payments of interest aggregating $10 or more to any other person during any calendar year, or (2) who receives payments of interest as a nominee and who makes payments aggregating $10 or more during any calendar year to any other person with respect to the interest so received, shall make a return according to the forms or regulations prescribed by the Secretary, setting forth the aggregate amount of such payments and the name and address of the person to whom paid.

Analysis
Per the Required Account Types, the Banking Partner is required to maintain a separate account for Customers' personal contributions and matching funds. If the portion of the account containing the Customers' personal contributions earns interest, the interest is considered income to the Customer and subject to taxation. However, since Customers may only make withdrawals from the MISA, including Customer's personal contributions, for approved purposes, i.e., Customers cannot withdraw their own savings once contributed to the MISA until the maturity/end of the funding date or until they have met the goals specified in the Savings Plan Agreement, the IRS will likely consider the portion of the account containing the Customer's personal contributions as having substantial limitations or restrictions on the Customers' control of the receipt of the income. As such, the Customer has no constructive receipt of the interest until the restrictions are removed.

Therefore, the Banking Partner will issue a Form 1099-INT to these Customers during the year in which the restrictions/limitations are removed, and the Customers have control of the funds. For example, if the program ends in 2025, the Customer will receive a Form 1099-INT for the total interest in the portion of the account holding the Customer's personal contributions during 2025. Alternatively, if the program continues and the Customer does not take a distribution of the funds until he/she has met his/her funding goal and wants to purchase a qualifying asset, the year in which the Customer purchases the asset shall be the year in which the Banking Partner issues the Form 1099-INT.

Matching Contributions

The Law
Code § 61 provides that, unless otherwise excluded, gross income means all income from whatever source derived.

Two exclusions may apply to the matching contributions to the Customers to obtain qualifying assets.

General Welfare Exclusion
Revenue Ruling 2009-19 provides that payments to individuals under governmental social benefit programs for the promotion of the general welfare and not for services rendered are not includible in the recipients' gross income. To qualify under the general welfare exclusion, payments must (i) be made from a governmental fund, (ii) be for the promotion of the general welfare (i.e., generally based on individual or family need), and (iii) not represent compensation for services.

Gift Exclusion
Code § 102(a) provides an exclusion from gross income for gifts. Under 102(a), a gift must proceed from a 'detached and disinterested generosity,' … 'out of affection, respect, admiration, charity or like impulses. Further, Rev. Rul. 99-44 states: "In general, a payment made by a charity to an individual that responds to the individual's needs and does not proceed from any moral or legal duty, is motivated by detached and disinterested generosity."
On the definition of a gift, the IRS ruled that an institution is not required by Code § 6041 to issue Forms 1099 or any other information return for the payments it makes to individuals for payment excludable from income under Code § 102(a) as gifts.

Analysis
First, as the matching funds are setup, WWA/LWDB appear to pay the matching contributions with governmental funds, based on individual or family need, and not as compensation for services. Further, they appear to pay the matching funds as detached and disinterested generosity to address families' needs for housing, education and starting/growing a business, consistent with the WWA's purposes.

Since these payments are excludable from IRS income, the Banking Partner should not issue a Form 1099 to the Customers who receive the funds to purchase a qualifying asset/investment. Further, in the event the Program is discontinued, and a customer can use the matching funds without restrictions, the matching contributions would still qualify as a gift and would not be included in the Customer's income.