Community Reinvestment Plan Matched Investment Savings Account (MISA)
POLICY #3504 Rev 4

Date of Original Policy: 10/31/2025
Revision Date: 10/29/2026

PURPOSE:
The purpose of this policy is to outline for Workforce Southwest Washington contracted subrecipients the structure and implementation of the Community Reinvestment Plan 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 individuals and families in Southwest Washington. Revision 4 adds to Section (C)(i).

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) and contracted to Workforce Southwest Washington, 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 Workforce Southwest Washington and subrecipient, to provide 1:1 match for participants' savings, with a maximum of $10,000 in matched funds to enhance financial self-sufficiency through education and the purchase of an outlined approved asset. Participants can make withdrawals for approved, outlined assets, once they meet personal finance education and coaching requirements and adhere to their Savings Plan Agreement. Subrecipient will work with participants in the MISA program to develop a reasonable Savings Plan Agreement, which includes research on approved assets and a plan to reach the outlined savings goal. Emergency withdrawals are permitted under specific circumstances after other support options have been explored.

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 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 an individual to be eligible for the MISA Program, the Subrecipient must ensure an individual meets the following requirements:

- Be enrolled or co-enrolled in State EcSA per State Program Policy 7000 or Federal EcSA per WIOA Title I-B Policy 5625,
- Be 18 years of age or older, or an emancipated youth.
- 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.
- Complete a Savings Plan Agreement to establish financial goals as outlined in Savings Plan Agreement section below.
- Sign a participant authorization form authorizing WSW 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.
- All MISA participants, regardless of which program(s) they are enrolled in, must complete self-sufficiency calculator steps and save results in the Calculator database and 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 be maintained under the previous program terms of a 2:1 match rate up to $30,00 in savings ($10,000 in individual contribution and $20,000 in matched contributions) until they have purchased their outlined asset(s). Participants must comply with all other terms of the revised program and may not increase the amount of their original savings plan or make additional deposits on the custodial account.

iv. Savings Plan Agreement

Each participant must collaboratively create a Savings Plan Agreement to guide their involvement in the MISA program with their Career Specialists. The Subrecipient must ensure the agreement includes and the participant understands 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 with the 1:1 matching funds are applied only up to $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 not outlined or 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. Savings plans may be adjusted to reduce the total savings goal but cannot be increased once initially established.

- **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. The specific asset or investment must be realistic to the participant's circumstances and be an assets/investment the participant will own or can maintain once earning self-sufficient wages.
  - Outline key milestones associated with the savings plan that support the participant in reaching their savings goal to purchase their planned asset(s). Savings Plan Agreements must include documented research and cost estimates that support the outlined asset goal. These estimates should closely align with the total amount specified in the Savings Plan Agreement.

- **Withdrawal Conditions**
  - Clarify that the participant cannot withdraw their own savings from the MISA until they have achieved the goals outlined in their Savings Plan Agreement.
  - Ensure the participant understands that withdrawal or transfer of these funds may have tax or public assistance eligibility impacts which they have responsibility to report.

- 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, as needed, based on mutual agreement between the participant and their Career Specialist. Once updated, the revised agreement must be retained and attached to the participant's case file.
  - Once a Savings Plan Agreement is established, participants may **not** increase the savings goal. However, they may reduce the goal or modify the originally outlined asset to a different asset or combination of assets. If the original asset is changed, the new savings goal must reflect the accurate cost of the new asset(s) based on updated research and estimates.
  - The savings plan and outlined asset(s) must equal the savings amount goal. If the asset(s) is less than the amount saved, the participant forfeits their matched savings amount and can withdraw the newly unmatched deposits to adjust for the difference.

- **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 the program until the time in which they have purchased their approved asset(s). WSW 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 the asset, can the custodial account be transitioned to a noncustodial account, or closed, at which time any balance in the account becomes full property of the participant, with unrestricted withdrawal privileges.

v. <u>MISA Participant Flow Process</u>

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 Career Specialists to develop a personalized savings plan.
- **Financial Coaching**
  - Participants must complete the required financial coaching, as defined in their Savings Plan Agreement, 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 WSW and subrecipient, with WSW as the custodian of the account.

- **Deposits**
  - Participants will make deposits from their personal earnings, as required by the Savings Agreement. Participants' savings contributions can also be made with CRF/EcSA incentive funds, directly from the subrecipient to the banking institution, based on request by the participant.
- **Matched Funds**
  - Funds will begin to be matched with the first deposit.
- **Withdrawals**
  - Withdrawals can be made for approved purchases or emergencies as outlined under emergency withdrawals.

vi. Fund Management and Guidelines

- **Matching Account**
  - WSW 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.
- **Custodial Accounts**
  - Participants will open individual custodial accounts to serve as their MISA, with WSW as the account's custodian.
- **Deposits**
  - Participants will make deposits into their custodial accounts, and subrecipients can also make direct deposits, with incentive payment funds the participant has earned, on their behalf.
- **Matched Fund Transfer**
  - Once the bank receives approval from WSW, funds will be transferred from the WSW Matching Account to the participant's personal, custodial account.
  - 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 subrecipient.
- **Program Completion and Account Conversion/Closure**
  - Participants must remain attached to the Community Reinvestment program enrollment and WSW 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:** Participants will engage with personal finance education and coaching that meets the standards outlined below and appointed by the subrecipient.

i. 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 within the state Management Information System (MIS). 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.

ii. 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. Subrecipient will track all financial workshops and coaching activities within the state Management Information System (MIS) and save a copy of the certification of completion once all workshops are completed.

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

Career Specialist, and 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 the 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 3501 Rev 6) 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:
  - Post-secondary education and training
    - Subrecipient will ensure to first review existing eligible training funds and the WA College Grant to support the cost of post-secondary education or training goal. Subrecipient will ensure the training provider is reputable and that the education/certification is recognized.
  - Homeownership or rental move-in expenses including first and last month's rent plus deposit *
    - Mortgage, Home Loan, and rental move-in expenses must be in the name of the participant.
    - Rental move-in expenses include application fees, security deposits, pet deposits, and insurance deposits.
  - Starting or scaling a business including start-up costs, and equipment. *
    - Participant must be owner/co-owner of business with proof of documentation. Start-up costs must be connected to a business plan and additional entrepreneurial education outlined in Savings Plan Agreements.
  - Purchase of land for residential or business use *
  - Computer purchase
  - Automobile purchase *
    - Must be in the name of the participant.
    - If the automobile purchase is greater than $20,000, Subrecipient will ensure the participant has developed a debt payment plan that is realistic with the participant's current circumstances and aligns with the financial education and coaching received.
  - Home additions and expansions *
    - Home mortgage or deed must be in the name of the participant.

- Assistive technologies
- Broadband access in rural 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 3501 Rev 6) may jointly repay on items marked with an asterisk, provided that both participants are listed as 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: The subrecipients must review 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 and/or unanticipated travel expenses for an out-of-town funeral

ii. Withdrawal Guidelines

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

- 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 match 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 – subrecipients must follow 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), subrecipient must include a documented reason for the exception. Must require additional documentation of the purchase, such as a copy of an inspection report, bill of sale and the title for vehicle purchases, which must be assigned to the participant.
- It is advised to encourage asset purchases through known institutions/vendors such as reputable car dealerships, certified training providers, and big box stores over Individuals as the institution/vendor.

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. Banking Partner

Direct Agreement with Columbia Bank

- WSW has partnered directly with Columbia (formerly Umpqua) Bank.
- Benefits include access to the SharePoint site and Colombia Bank's contract and process templates.

iv. Role of Columbia Bank

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 WSW.
- 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 must open custodial savings accounts where their personal contributions and matched funds will be held.

- Matching Funds Account
  WSW 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 has equal access to the MISA program and its benefits. This includes setting up fair, transparent, and efficient account opening procedures.

Information Sharing

- Maintain open and regular communication with WSW, sharing necessary information to facilitate the management and oversight of MISAs and to facilitate program reporting requirements to WSW. This includes participant enrollment data and transaction histories.

vii. Conversion of 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 will be closed. Any remaining funds will be provided to the participant. The 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 WSW and all contributions of the participant are to be immediately turned over to the participant's control.

Role of the Participant:

- **Account Review and Confirmation:** Review account status to ensure current personal information and resolve discrepancies.
- **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.

DEFINITIONS:

Custodial Account: WSW functions 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 WSW 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 tripling the total savings amount up to a specified limit.

ATTACHMENTS:

- Attachment A – MISA Tax Guidance
- Attachment B – Savings Plan Agreement Form
- Attachment C – Emergency Savings Withdrawal Form
- Bank Procedures and Guiding Documents: All documents and forms can be found at Workforce Professional Center – Economic Security for All (EcSA) initiative resources, including:
  - Columbia Bank Account Opening, Management and Closing Processes
  - MISA New Account Process
  - MISA Withdrawal Request Form
  - Wires or Cashier's Check Request
  - MISA Partnership Agreement
  - MISA New Account Request SharePoint

REFERENCES/RESOURCES:

- Washington State Community Reinvestment Plan Matched Investment Savings Program Policy #7010
- WSW Economic Security for All – Eligibility Policy #3501 Rev 6
- Community Reinvestment Plan Report
- Workforce Professionals Center EcSA Information

SUPERSEDES:

- WSW CRP MISA Policy #3504 effective date October 31, 2025
- WSW CRP MISA Policy #3504 Rev 1 effective date December 9, 2025
- WSW CRP MISA Policy #3504 Rev 2 effective date June 9, 2026
- WSW CRP MISA Policy #3504 Rev 3 effective date July 14, 2026

WEBSITE:
http://workforcesw.org/providers#OperationsPolicies

INQUIRIES:
Please contact Mando Antonio at mantonio@workforcesw.org (360) 567-3185 for questions.

Attachment A: Matched Investment Savings Account (MISA) Tax Guidance

In managing Matched Investment Savings Accounts (MISAs), participant contributions are subject to interest income when the participant 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. Columbia Bank will issue a Form 1099-INT for the interest amount in the applicable year. Match contributions, treated as gifts, are not included in the participant's income and are exempt from reporting requirements, so no Form 1099 will be issued. It is advised that WWA and WSW 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 requirements for the Banking Partners to report, or not report, such income to the participant.

Participant 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 participants' personal contributions and matching funds. If the portion of the account containing the participants' personal contributions earns interest, the interest is considered income to the participant and subject to taxation. However, since the participant may only make withdrawals from the MISA, including the participant's personal contributions, for approved purposes, i.e., participants 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 participant's personal contributions as

having substantial limitations or restrictions on the participants' control of the receipt of the income. As such, the participant has no constructive receipt of the interest until the restrictions are removed.

Therefore, the Banking Partner will issue a Form 1099-INT to these participants during the year in which the restrictions/limitations are removed, and the participants have control of the funds. For example, if the program ends in 2025, the participant will receive a Form 1099-INT for the total interest in the portion of the account holding the participant's personal contributions during 2025. Alternatively, if the program continues and the participant 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 participant 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 participants obtaining 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 set up, WSW 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 WSW's purposes.

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