WHAT YOU SHOULD KNOW ABOUT AN ESCROW ACCOUNT

Why should I have an escrow account?

The quick and easy answer: The law requires it.

Section 3125 (a) of the Louisiana Auctioneers Licensing Board statute states:

> **§3125. Payments and accounts**
>
> A. All funds derived from an auction sale paid to an auctioneer licensed in this state or to a person, corporation, firm or combination thereof which conducted the sale, shall be deposited in one or more identifiable bank accounts maintained in the state in which the auctioneer is situated and no funds belonging to the auctioneer shall be deposited therein except as follows:
>
> (1) Funds reasonably sufficient to pay bank charges may be deposited therein.
>
> (2) Funds belonging in part to the person who employs the auctioneer and in part to the auctioneer must be deposited therein, but the portion belonging to the auctioneer may be withdrawn when due unless the right of the auctioneer to receive it is disputed by the person who employs the auctioneer, in which event the disputed portion shall not be withdrawn until the dispute is finally resolved.

You do this to protect your consignors.

When do you need an escrow account for your auction business?

- When you have an individual Auctioneer license and run your auction business under your individual license.
- When you have an Auction Business license.
- You are exempt from maintaining an escrow account only if you are a bid caller only, and do not handle funds for the auction.

What do I need to deposit into my escrow account?

As you can see from the statute above, all monies collected from an auction (including cash payments) are required by law to be deposited into this account. You pay your consignors out of this account and you pay yourself the agreed upon fee, if your consignor does not dispute your fee. Your fee can include your expenses which are agreed to by your consignor but make sure that you have that agreement in writing in case there is a dispute.

Why do we call it an escrow account?

We call it an escrow account because these are funds which you are holding for a third party, just as a realtor or attorney does. You do not have to call it an escrow account though. You should be able to prove that you have this account if requested by the Auctioneers Licensing Board. Your bank account records can be subpoenaed by the Board at any time. Your bank records should show all deposits from every auction, payments to all sellers, and payments to yourself. Paying licensing renewal fees, rent, utility bills, or anything not related to the auction itself is not allowed from this escrow account.