

# **IRS MARKET SEGMENT PROGRAM FOR** **THE BAIL INDUSTRY**

## **Three Hour Correspondence** **Course & Exam**

The following thirty (30) question exam found within the APPENDIX must be returned to ALBU at Post Office Box 272, Plaquemine, LA 70765. The exam will be graded and correct answers will be decided by the designated Continuing Education Committee members. Certificates for Three Hours of Continuing Education will be issued by mail to agents accurately completing at least seventy percent (70%) of the exam.

Determination of accuracy will be at the exclusive judgment of ALBU CE Committee members without question. Agents failing to accurately complete the required percentage of the exam will be permitted to retake the exam as stated in the introduction of the course manual.

## APPENDIX

The exam must be returned within 20 days from the mailing of the books. The date of mailing will be based upon the post mark of the returned materials. Any exam received with a post mark later than the specified days will not be accepted without a late fee of \$45.00. Any agent desiring to retake the exam for any reason will be able to do so after paying an additional \$50.00. A passing grade will consist of a minimum of 17 correct answers submitted within a timely manner to the following address:

ALBU CE  
P. O. Box 272  
Plaquemine, LA 70765

Circle the letter on this form to answer the following questions.

1. There are two primary issues that are examined during an IRS audit of a bail bond agent, one being Unreported Income and the other being?
  - a. Unreported expenses
  - b. Unreported premium to the Surety Company
  - c. Deduction of payments to the agents Build Up Fund
  - d. Deduction of business expenses
  
2. The IRS can obtain third party records to help provide information to their investigation. Name one.
  - a. The agent's insurance company
  - b. The agent's physician
  - c. The agent's accountant
  - d. The agent's spouse
  
3. Any individual who transacts bail for a fee, must be licensed with the?
  - a. The Department of Motor Vehicle
  - b. Department of Public Safety
  - c. State Treasury Office
  - d. The Department of Insurance
  
4. The IRS can summons the surety company to provide specific items. Which of the following can the insurance company not produce?
  - a. Interest accrued on the BUF
  - b. Premium earned
  - c. The actual collection of premiums the bail agent earns
  - d. BUF Payments
  
5. The IRS states that bail bond business generally operate on what type of accounting method?
  - a. Debit/Credit Method
  - b. Cash and Check Method
  - c. Accrual Accounting
  - d. Cash Basis Method
  
6. Studies show the bail industry to be cash intensive, in that bail agents prefer cash over checks. What percentage of gross receipts are cash?
  - a. 30% to 40%
  - b. 50% to 80%
  - c. 50% to 60%
  - d. 40% to 70%
  
7. What report contains specific information to the IRS on each bond written, including the serial number of the bond, the date the bond was written, name of defendant, and the premium and face amount of the bond?
  - a. Agents Contract

- b. Agents Transmittals
  - c. Agents Weekly Report to Surety Company
  - d. Agents Exonerations
8. There should be three business related bank accounts according to the IRS, which is not?
- a. Operating Account
  - b. Collateral Account
  - c. BUF Account
  - d. Cash Account
9. Which following documents can be obtained by the IRS to show what serial numbers and denomination of powers issued to an agent?
- a. Agent Contract
  - b. The Power Transmittal
  - c. Closed Discharges
  - d. Closed Bond Forfeitures
10. Which of the following gives the contractual amounts of premiums, requirements for the BUF account, and bond cost charged by the surety company?
- a. Power Transmittal
  - b. Agent Weekly Report
  - c. Agent Exoneration report
  - d. Surety Contract
11. Name the system that tracks cash transactions over \$10,000.00 that is also known as CBRS?
- a. The Currency and Banking Retrieval System
  - b. Correction Billing Retrieval System
  - c. Currency Based Retrieval System
  - d. Currency and Banking Risk System
12. What form must be used by the bail agent when cash is received in excess of \$10,000.00 in the course of collecting premium?
- a. Form 8003
  - b. Form 4789
  - c. Form 3800
  - d. Form 8300
13. What form must be filed by financial institutions when cash is withdrawn or deposited in amounts greater than \$10,000.00?
- a. Form 3800
  - b. Form 4789
  - c. Form 8300
  - d. Form 4700

14. According to the IRS study, what is the number one way bail agents determine their gross receipts per return?
- Cash deposits
  - Premium collected
  - Premium charged
  - Bank deposits
15. According to the IRS study, if a bail agents expenses out-of-pocket cost, then any reimbursements of these costs must be considered?
- Reimbursements
  - Expenses
  - Cash
  - Income
16. Reimbursement of paid bond forfeitures must be considered as?
- Reimbursements
  - Income
  - Cash
  - Expenses
17. The amount of money retained from returning collateral can be considered income, if the money is used to cover uncollected premium or?
- Uncollected expenses on the bond
  - Uncollected recovery fees
  - Uncollected travel expenses
  - All of the above
18. The IRS states that the only withdrawals from the collateral account should be for the return of collateral or?
- Transfers to operating account for monthly expenses
  - Transfers to operating account for monthly payroll
  - Transfers to operating account for reimbursement of expenses
  - Transfers to operating account for premium payments to surety
19. Collateral can be considered income if the following occurs?
- Collateral goes unclaimed for a reasonable period of time.
  - Defendant is sentenced
  - Person who deposited collateral dies
  - Defendant is arrested on other charges
20. If a bail agent commingles the collateral with the operating account, it then takes on the same character and should be considered income, unless?
- The bail agent can never use the money
  - The bail agent can substantiate the identity of the funds of cash collateral.
  - The bail agent withdrawals the money for cash
  - The bail agent can use the account without touching those funds

21. In, Leslie W. Sebring & Nanci M. Sebring v. Commissioner, 93 T.C. 220 (1989), the court stated that the payments into the BUF account were deposits held s security for payment of what?

- a. Legal Expenses
- b. Premium Expenses
- c. Contingent Liability.
- d. Business Expenses

22. The fee that is charged by the surety company to the agent per bond represents the what?

- a. The cost of the bond
- b. The liability of the bond
- c. The denomination of the bond
- d. The life time of the bond

23. According to the IRS study, the bail agent should take the position that if the expected life of the bond exceeds one year, the associated bond costs are not currently deductible when paid, but instead must be what?

- a. Amortized over the first month of the bond
- b. Amortized over the last month of the bond
- c. Amortized over the life of the bond
- d. Amortized over the first year of the bond

24. According to the IRS, there is a likelihood of duplicate deductions regarding the BUF accounts, because bail agents are deducting deposits into the BUF account and also what?

- a. Deducting premium expenses
- b. Deducting business expenses
- c. Payment of payroll
- d. Deducting withdrawals for specific liabilities.

25. There are two ways to establish civil fraud, one is to determine that the tax liability was understated and what?

- a. Agents experience in the bail industry
- b. That the understatement was due to deliberate intent to evade tax.
- c. Agents failure to file taxes due to death or illness
- d. Agents failure to retrieve information to file taxes

Name: \_\_\_\_\_ SS# \_\_\_\_\_

Address: \_\_\_\_\_ License # \_\_\_\_\_

City: \_\_\_\_\_ Zip Code: \_\_\_\_\_

Phone: \_\_\_\_\_ Cell: \_\_\_\_\_