

AGREEMENT

This agreement is entered into by and between Sage Meadows Property Owners Association, Inc., hereafter referred to as "Taxpayer" and the Arkansas Department of Finance and Administration, hereafter referred to as "DFA";

WHEREAS, DFA issued a proposed assessment to the Taxpayer with respect to gross receipts (sales) tax, compensating use tax, mixed drink tax, additional mixed drink tax and interest in Audit No. A993794048 for the period ending December 31, 2014. The proposed assessment was made with regard to the Taxpayer's operation of the Sage Meadows Golf and Country Club -- Sales Tax Account No. 00204987-SLS. The proposed assessment in the total amount of \$69,152.75 (\$57,881.64 tax and \$11,271.11 interest) was paid-in-full by the Taxpayer on or about May 4, 2015; and

WHEREAS, during the course of the administrative review of the proposed assessment requested by the Taxpayer, adjustments were made to the audit by DFA. The adjustments resulted in a reduced total balance due of \$58,182.47 (\$48,456.99 tax and \$9,725.48 interest). A refund was subsequently issued to the Taxpayer on or about September 29, 2017, in the amount of \$13,594.13 (\$10,970.28 tax and \$2,623.85 interest); and

WHEREAS, on January 26, 2018, the Taxpayer filed its First Amended Complaint in the Circuit Court of Craighead County, Arkansas -- *Sage Meadows Property Owners Association, Inc. v. Arkansas Department of Finance and Administration and Larry Walther, Director*, No. 16JCV-17-1164 (hereafter referred to as the "lawsuit") challenging the assessment of sales tax, mixed drink tax and additional mixed drink tax on alcoholic beverages sold by the Taxpayer; and

WHEREAS, the parties wish to resolve and settle the issues between them without the need for further proceedings or litigation; and

WHEREAS, this Agreement must be approved by the Legislative Council of the Arkansas General Assembly before payment made pursuant to the Agreement can be issued to the Taxpayer.

NOW THEREFORE, in consideration of the terms set forth herein, it is agreed that:

1. DFA will waive and refund two-thirds ($\frac{2}{3}$) of the sales tax, mixed drink tax and additional mixed drink tax assessed by DFA and paid by the Taxpayer with respect to alcoholic beverages. This tax refund shall be in the total amount of \$19,179.20 as set forth on Schedule 1 attached to this Agreement.
2. DFA will waive and refund all of the interest paid by Taxpayer on the sales tax, mixed drink tax and additional mixed drink tax assessed with respect to alcoholic beverages. This interest refund shall be in the total amount of \$4,867.64 as set forth on Schedule 1 attached to this Agreement.

3. DFA will not audit the Taxpayer for any tax period beginning January 1, 2015 through February 28, 2019.

4. The parties acknowledge that, in the course of the audit, the Department adjusted Taxpayer's sales of alcoholic beverages by taking the total ounce volume of liquor, wine, and beer purchased by Taxpayer, reducing the ounce volume purchased by ten percent (10%) for breakage and spillage, and dividing the resulting figures by one and one-half (1.5) ounces for liquor, six (6) ounces for wine, and twelve (12) ounces for draft beer, to arrive at total adjusted drinks of liquor, wine, and beer sold by Taxpayer. To facilitate this Agreement, the parties hereby agree that, in the event of a future audit, the Department will accept the pour ounces utilized by the Taxpayer in that audit period(s) so long as the pour ounces utilized are supported by the required source documentation.

5. At the Taxpayer's request, DFA's Northeast Office of Field Audit will advise the Taxpayer of the recommended records and documentation to retain for purposes of any future audits that DFA may perform on the Taxpayer. DFA's Northeast Office of Field Audit will determine the dates of any future audits and will notify the Taxpayer in accordance with applicable law.

6. Each party is responsible for its own costs, fees and expenses incurred during the course of this litigation.

7. Taxpayer hereby acknowledges that this Agreement shall serve as a full settlement and satisfaction of all issues raised in its lawsuit, provided that the Legislative Council of the Arkansas General Assembly approves the terms of this agreement. Taxpayer shall submit to the Court for consideration an agreed-upon order of dismissal of the lawsuit, with prejudice, pending approval of this agreement by the Legislative Council of the Arkansas General Assembly, on or before February 28, 2019.

Signature Page Follows

APPROVED By:

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2-28-19
DATE

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2/28/19
DATE

Sage Meadows Golf Club
Summary of Tax Adjustments per Settlement

	Less: Disallowed Exempt Purchases (Tax)		Less: Disallowed Exempt Purchases (Interest)		
	Tax	2/3 Tax Refund	All Interest	Total Interest Refund	Refund Amt
Gross Receipts-Adjusted Audit	18,399.98	12,143.99	3,197.63	3,165.65	15,309.64
Mixed Drink-Adjusted Audit	9,812.52	6,541.68	1,591.49	1,591.49	8,133.17
Add Mixed Drink-Adjusted Audit	740.29	493.53	110.50	110.50	604.03
Total Alcoholic Beverage-Adjusted Audit	10,552.81	7,035.21	1,701.99	1,701.99	8,737.20

Total Refund Amt 24,046.84

- Agreement -
 - Schedule I -