

# State Sales and Use Tax Compliance Report

## Confidential Document

**Prepared for: Potential Investors and Due Diligence Review**

**Prepared by: Internal Tax Compliance Department**

**Date of Preparation: January 22, 2024**

## 1. Executive Summary

This State Sales and Use Tax Compliance Report ("Report") provides a comprehensive analysis of Nexus Intelligent Systems, Inc.'s ("Company") sales and use tax compliance status across multiple jurisdictions for the fiscal periods ending December 31, 2022, and December 31, 2023.

### 1.1 Key Findings

- Total jurisdictions with tax filing obligations: 14 states
- Cumulative potential tax exposure: Estimated \$127,500
- Compliance rating: Moderate risk (B-)
- Recommended remediation budget: \$45,000-\$65,000

## 2. Jurisdictional Nexus Analysis

### 2.1 Nexus Determination Methodology

The Company has systematically evaluated tax nexus based on:

- Physical presence
- Economic nexus thresholds
- Service delivery locations
- Digital service transaction volumes

#### 2.1.1 Significant Nexus States

California

Texas

New York

Illinois

Massachusetts

3. Compliance Assessment

3.1 Historical Compliance Overview

- Total tax periods reviewed: 8 consecutive quarters
- Filing completeness: 92.3%
- Identified gaps: Partial non-compliance in 3 jurisdictions

3.1.1 Identified Compliance Gaps

- Inconsistent economic nexus tracking
- Delayed registration in emerging market states
- Incomplete documentation for digital service transactions

3.2 Risk Categorization

Risk Level	Jurisdictions	Potential Exposure
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High Risk	California, New York	\$62,500
Medium Risk	Texas, Illinois	\$38,750
Low Risk	Remaining states	\$26,250

4. Recommended Remediation Strategy

4.1 Immediate Actions

- Conduct comprehensive nexus study
- Update internal tracking mechanisms
- Implement automated compliance monitoring
- Engage specialized tax compliance consultant

4.2 Financial Implications

- Estimated remediation costs: \$45,000-\$65,000
- Potential penalty mitigation: 60-75%
- Projected compliance stabilization timeline: 6-9 months

5. Legal Disclaimers

5.1 Limitation of Liability

This report represents a good-faith assessment of the Company's sales and use tax compliance status. The findings are based on available documentation and should not be considered a definitive legal opinion.

## **5.2 Professional Qualifications**

Analysis prepared by internal tax compliance specialists with support from external tax advisory services.

## **6. Certification**

I hereby certify that the information contained in this report is true, accurate, and complete to the best of my professional knowledge.

### **Signed:**

Dr. Sarah Williamson  
Chief Strategy Officer  
Nexus Intelligent Systems, Inc.

**Date: January 22, 2024**

## **7. Appendices**

### **7.1 Supporting Documentation**

- Detailed state-by-state compliance matrix
- Transaction volume analysis
- Nexus determination worksheets

### **7.2 Methodology References**

- Multistate Tax Commission Guidelines
- SALT (State and Local Tax) Compliance Protocols
- IRS Revenue Procedure Documentation

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