

IRS Audit Response Documentation - Tax Year 2021

Confidential Legal Document

Nexus Intelligent Systems, Inc.

PRELIMINARY STATEMENT

This document represents the comprehensive tax audit response documentation for Nexus Intelligent Systems, Inc. ("Company") pertaining to fiscal year 2021, prepared in direct response to Internal Revenue Service (IRS) Audit Notice dated January 15, 2024, Reference Number: 2024-AI-8762.

1. CORPORATE IDENTIFICATION AND TAX PROFILE

1 Corporate Details

- Legal Entity Name: Nexus Intelligent Systems, Inc.
- Federal Employer Identification Number (FEIN): 87-3421569
- State of Incorporation: Delaware
- Fiscal Year End: December 31, 2021
- Primary Business Activity: Enterprise AI Services & Predictive Analytics

2 Tax Classification

- Corporate Classification: C-Corporation
- Primary Tax Reporting Status: Domestic Corporate Taxpayer
- Research and Development Tax Credit Eligibility: Qualified Technology Enterprise

2. AUDIT SCOPE AND DOCUMENTATION OVERVIEW

1 Audit Scope

The current IRS audit encompasses a comprehensive review of:

- Corporate income tax returns
- Research and development tax credit claims
- Employee compensation and benefits reporting
- Capital expenditure classifications
- Intercompany transaction documentation

2 Documentation Methodology

All provided documentation has been:

- Extracted from official corporate financial records
- Verified through independent third-party accounting review
- Prepared in compliance with Generally Accepted Accounting Principles (GAAP)
- Authenticated through internal control processes

3. FINANCIAL SUMMARY

1 Revenue Breakdown

- Total Annual Revenue: \$12,500,000
- Revenue by Service Category:
- Predictive Maintenance Platforms: \$6,750,000 (54%)
- Digital Transformation Consulting: \$3,875,000 (31%)
- Machine Learning Diagnostic Tools: \$1,875,000 (15%)

2 Research and Development Expenditures

- Total R&D Expenses: \$2,350,000
- Qualified R&D Expenditures: \$2,175,000
- R&D Tax Credit Claimed: \$326,250

4. TAX CREDIT SUBSTANTIATION

1 Research and Development Tax Credit Qualification

The Company certifies that claimed R&D tax credits meet all Internal Revenue Code Section 41 requirements, specifically:

- Technological Innovation Criteria
- Systematic Experimental Process Documentation
- Qualified Expenditure Verification

2 Qualified Research Expense Breakdown

- Wages for Qualified Research Personnel: \$1,425,000
- Contract Research Expenses: \$450,000
- Supplies and Materials: \$300,000

5. COMPLIANCE ATTESTATIONS

1 Executive Certification

We hereby certify that:

- All provided documentation is true and accurate
- No intentional misrepresentation has occurred
- Full transparency has been maintained throughout the audit process

2 Legal Representations

The Company represents that:

- All tax filings are complete and accurate
- All required disclosures have been made
- No known material tax compliance issues exist

6. SUPPORTING DOCUMENTATION INDEX

1 Included Documentation

- Audited Financial Statements
- Detailed General Ledger
- Payroll Records
- Research Project Documentation
- Intercompany Transaction Logs
- Fixed Asset Registers

7. LIMITATIONS AND RESERVATIONS

1 Document Scope

This documentation represents a good-faith response to the IRS audit notice and does not constitute an admission of any potential tax irregularities.

2 Reservation of Rights

The Company expressly reserves all legal rights and potential challenges to audit findings.

8. SIGNATURE BLOCK

EXECUTED this 22nd day of January, 2024

Dr. Elena Rodriguez
Chief Executive Officer
Nexus Intelligent Systems, Inc.

Michael Chen
Chief Financial Officer
Nexus Intelligent Systems, Inc.

9. LEGAL DISCLAIMER

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