

# **Professional Services Fee Tax Documentation**

## **CONFIDENTIAL DOCUMENT**

**Nexus Intelligent Systems, Inc.**

## **PRELIMINARY STATEMENT**

This Professional Services Fee Tax Documentation ("Document") is executed on January 22, 2024, by and between Nexus Intelligent Systems, Inc., a Delaware corporation with principal offices at 1200 Technology Park Drive, San Jose, California 95134 (hereinafter "Company").

### **1. DEFINITIONS**

1 "Professional Services" shall mean specialized technology consulting, artificial intelligence implementation, predictive analytics design, and digital transformation advisory services provided by the Company.

2 "Taxable Fees" shall represent all compensation received for professional services rendered, inclusive of consulting fees, implementation charges, and technology transfer payments.

3 "Jurisdictional Taxation" refers to federal, state, and local tax obligations applicable to professional service revenue streams.

### **2. TAX CLASSIFICATION AND REPORTING**

#### **1 Revenue Classification**

The Company hereby classifies professional service revenues under the following Internal Revenue Code sections:

- Section 1.162-7(a): Trade or Business Expenses
- Section 1.446-1(a): Method of Accounting
- Section 1.451-1(a): Timing of Income Recognition

#### **2 Tax Reporting Methodology**

All professional service fees shall be reported using:

- Accrual accounting method
- Detailed revenue segmentation by service category
- Comprehensive documentation of billable hours and project-specific charges

### **3. FEE STRUCTURE AND TAX IMPLICATIONS**

#### **1 Revenue Segmentation**

Professional service fees are categorized as follows:

- AI Predictive Maintenance Consulting: 42.5% of total revenue
- Digital Transformation Advisory: 33.7% of total revenue
- Machine Learning Implementation: 23.8% of total revenue

#### **2 Tax Rate Calculations**

Applicable tax rates for professional services:

- Federal Corporate Tax Rate: 21%
- California State Corporate Tax Rate: 8.84%
- Local Business Tax Surcharge: 0.5%

### **4. DOCUMENTATION REQUIREMENTS**

#### **1 Record Retention**

The Company shall maintain comprehensive documentation for a minimum of seven (7) years, including:

- Detailed invoices
- Service agreements
- Project scope documentation
- Time tracking records
- Client engagement contracts

#### **2 Audit Preparedness**

All financial records must be:

- Organized chronologically
- Indexed by client and project
- Capable of immediate retrieval during potential tax audits

### **5. COMPLIANCE ATTESTATION**

#### **1 Representations and Warranties**

The undersigned hereby certifies that:

- All reported professional service fees are accurate
- Tax calculations comply with current IRS regulations
- No intentional misrepresentation of revenue has occurred

## 2 Indemnification

The Company agrees to indemnify and hold harmless any affiliated entities from potential tax liabilities arising from misreported professional service fees.

## 6. SIGNATURE BLOCK

EXECUTED this 22nd day of January, 2024

Dr. Elena Rodriguez

Chief Executive Officer

Nexus Intelligent Systems, Inc.

Michael Chen

Chief Technology Officer

Nexus Intelligent Systems, Inc.

## 7. CONFIDENTIALITY CLAUSE

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