

Multi-State Tax Nexus Analysis and Compliance Summary

Confidential Document

Prepared for: Potential Investors and Due Diligence Review

Date of Preparation: January 22, 2024

Company: Nexus Intelligent Systems, Inc.

1. Executive Summary

This Multi-State Tax Nexus Analysis and Compliance Summary provides a comprehensive assessment of Nexus Intelligent Systems, Inc.'s ("Company") state tax obligations, potential exposures, and compliance strategies across multiple jurisdictions as of January 2024.

1.1 Key Findings

- Total identified tax jurisdictions: 14 states
- Potential nexus exposure: Moderate
- Recommended immediate actions: Comprehensive nexus review and voluntary disclosure agreements in 3 states

2. Jurisdictional Nexus Analysis

2.1 Physical Presence Nexus

The Company maintains physical presence in the following states:

- Delaware (Headquarters)
- California (Primary R&D Center)
- Texas (Regional Sales Office)
- New York (Enterprise Sales Hub)

2.1.1 Physical Presence Triggers

- Permanent office locations
- Employee presence exceeding 21 days per year
- Maintained equipment and infrastructure

2.2 Economic Nexus Evaluation

2.2.1 Revenue Thresholds

States with confirmed economic nexus based on annual revenue:

California: \$500,000 annual revenue threshold

New York: \$268,000 annual revenue threshold

Texas: \$350,000 annual revenue threshold

2.2.2 Service-Based Nexus Considerations

Specific to AI and enterprise technology services, potential nexus created through:

- Remote consulting services
- Cloud-based software delivery
- Digital service transactions

3. Compliance Risk Assessment

3.1 Identified Potential Exposures

- Incomplete state tax registrations
- Potential retroactive tax liabilities
- Outstanding sales and use tax obligations

3.2 Risk Mitigation Strategies

Voluntary Disclosure Agreements (VDAs)

Comprehensive state tax registration

Retroactive compliance documentation

Proactive tax planning

4. Recommended Compliance Actions

4.1 Immediate Priorities

- Complete state tax registration in California, New York, Texas
- Conduct comprehensive nexus study
- Implement systematic multi-state tax tracking mechanism

4.2 Secondary Recommendations

- Engage specialized multi-state tax consultancy

- Develop internal compliance training
- Establish quarterly nexus review protocol

5. Financial Impact Projection

5.1 Estimated Potential Liabilities

- Estimated retroactive tax exposure: \$127,500 - \$215,000
- Projected compliance implementation costs: \$45,000 - \$75,000

5.2 Mitigation Cost-Benefit Analysis

Recommended actions are projected to reduce potential tax exposure by approximately 68-72% through strategic compliance and voluntary disclosure.

6. Legal Disclaimer

This document represents a preliminary analysis and should not be considered definitive legal or tax advice. Nexus Intelligent Systems, Inc. strongly recommends engaging specialized tax counsel for comprehensive review and implementation of recommendations.

6.1 Limitations of Analysis

- Subject to change based on evolving state tax regulations
- Does not constitute a formal tax opinion
- Requires independent verification

7. Signature Certification

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