

# State Economic Nexus Compliance Report

## Confidential Document

**Prepared for:** Internal Review and Due Diligence

**Prepared by:** Corporate Tax Compliance Department

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

## 1. Executive Summary

This State Economic Nexus Compliance Report ("Report") provides a comprehensive analysis of Nexus Intelligent Systems, Inc.'s ("Company") current state tax nexus positions, potential tax liabilities, and compliance strategies across multiple jurisdictions for fiscal year 2023-2024.

### 1.1 Key Findings

- Total identified economic nexus jurisdictions: 24 states
- Estimated potential tax exposure: \$387,500 - \$612,000
- Compliance risk rating: Moderate
- Recommended immediate actions: Comprehensive nexus registration in 7 additional states

## 2. Methodology of Nexus Analysis

### 2.1 Analytical Framework

The economic nexus assessment was conducted utilizing the following methodological approaches:

- Comprehensive revenue threshold analysis
- Transactional volume assessment
- State-specific economic presence evaluation
- Multi-factor economic connection analysis

### 2.2 Data Sources

- Internal financial records
- State-specific economic nexus thresholds
- Third-party tax compliance database references
- Historical transaction logs

### **3. State-Specific Economic Nexus Determinations**

#### **3.1 Threshold Analysis**

The Company's economic nexus was evaluated against each state's specific criteria, including:

- Annual revenue thresholds
- Transaction count limitations
- Service delivery mechanisms
- Digital service engagement metrics

##### **3.1.1 High-Risk Jurisdictions**

California: Confirmed economic nexus

New York: Potential substantial nexus

Texas: Active compliance requirements

Illinois: Emerging nexus position

#### **3.2 Revenue Categorization**

- Enterprise AI Services: \$8,750,000
- Consulting Engagements: \$3,250,000
- Digital Platform Services: \$500,000

### **4. Compliance Risk Assessment**

#### **4.1 Potential Tax Exposures**

- Estimated unregistered tax liability: \$412,375
- Potential penalty range: \$87,500 - \$175,000
- Recommended proactive registration strategy

#### **4.2 Risk Mitigation Strategies**

Immediate state registration processes

Retroactive compliance documentation

Voluntary disclosure agreements

Comprehensive documentation maintenance

### **5. Recommended Action Items**

## **5.1 Immediate Actions**

- Complete nexus registration in 7 identified states
- Develop comprehensive compliance tracking system
- Engage specialized state tax compliance counsel

## **5.2 Quarterly Monitoring Requirements**

- Monthly revenue threshold tracking
- State-specific regulatory change monitoring
- Continuous nexus position reassessment

## **6. Legal Disclaimers**

### **6.1 Limitation of Liability**

This report represents a good-faith analysis based on available information. The Company expressly disclaims any warranty regarding the absolute accuracy of tax positioning.

### **6.2 Professional Judgment**

The analysis herein reflects professional tax compliance judgment and should not be construed as definitive legal advice.

## **7. Certification**

I hereby certify that the information contained in this State Economic Nexus Compliance Report is true, accurate, and complete to the best of my professional knowledge.

### **Signed:**

Michael Thompson

Chief Compliance Officer

Nexus Intelligent Systems, Inc.

**Date: January 22, 2024**

---

**Confidentiality Notice: This document contains proprietary and confidential information.**

**Unauthorized disclosure is strictly prohibited.**