

# **Technology Development Cost Segregation Study**

## **Confidential Legal Document**

**Prepared for Nexus Intelligent Systems, Inc.**

### **1. INTRODUCTION AND PURPOSE**

1 This Technology Development Cost Segregation Study ("Study") is prepared by Quantum Tax Strategies, LLP for Nexus Intelligent Systems, Inc. (the "Company"), with the primary objective of conducting a comprehensive analysis of capitalized technology development expenditures to optimize tax treatment and asset classification for fiscal years 2022-2023.

2 The Study encompasses a detailed review of the Company's research and development investments, specifically focusing on qualifying technological assets and their appropriate depreciation methodologies under current IRS regulations and Section 174 tax guidelines.

### **2. SCOPE OF ANALYSIS**

#### **1 Defined Assets**

The following technology development categories were comprehensively evaluated:

- a) Machine Learning Algorithm Development
- b) Predictive Analytics Platform Infrastructure
- c) Enterprise AI Diagnostic Tool Frameworks
- d) Cloud-Based Computational Resources
- e) Proprietary Software Development Environments

#### **2 Analytical Methodology**

The cost segregation analysis utilized:

- Detailed financial records and engineering documentation
- Comprehensive asset tracking logs
- Independent technical asset valuation
- Current IRS depreciation guidelines
- Accelerated cost recovery system (ACRS) principles

### **3. FINANCIAL SUMMARY**

#### 1 Total Capitalized Development Expenditures

- Fiscal Year 2022: \$3,742,615
- Fiscal Year 2023: \$4,256,890
- Cumulative Two-Year Investment: \$7,999,505

#### 2 Projected Tax Reclassification Potential

- Estimated Accelerated Depreciation: \$1,426,335
- Potential Annual Tax Savings: \$412,750
- Net Present Value of Tax Benefit: \$1,876,420

### **4. ASSET CLASSIFICATION BREAKDOWN**

#### 1 Short-Term Technological Assets (3-5 Year Depreciation)

- Machine Learning Training Environments
- Computational Cluster Infrastructure
- Prototype Development Platforms

Estimated Value: \$2,345,670

Recommended Depreciation Schedule: Accelerated 5-Year MACRS

#### 2 Medium-Term Technological Assets (7-10 Year Depreciation)

- Enterprise AI Platform Core Infrastructure
- Advanced Predictive Analytics Frameworks
- Specialized Software Development Tools

Estimated Value: \$3,876,210

Recommended Depreciation Schedule: Modified 7-Year Recovery Period

#### 3 Long-Term Technological Assets (15+ Year Depreciation)

- Proprietary Algorithmic Development Frameworks
- Advanced Computational Research Environments

Estimated Value: \$1,777,625

Recommended Depreciation Schedule: Extended 15-Year Straight-Line Method

### **5. COMPLIANCE AND DOCUMENTATION**

#### 1 Regulatory Compliance

This Study has been prepared in full compliance with:

- Internal Revenue Code Section 174
- FASB Accounting Standards Codification
- IRS Revenue Procedure 2000-37
- Applicable Treasury Regulations

## 2 Documentation Retention

All supporting documentation, including detailed asset logs, technical specifications, and financial records, have been maintained and are available for potential audit review.

## 6. LIMITATIONS AND DISCLAIMERS

1 This Study represents a professional assessment based on information available as of December 31, 2023. Future technological developments or changes in tax regulations may necessitate subsequent revisions.

2 While comprehensive, this analysis does not constitute a definitive tax ruling. Companies are advised to consult independent tax professionals for specific implementation strategies.

## 7. PROFESSIONAL CERTIFICATION

Prepared By:

Dr. Alexander Reyes, CPA, CCSP

Senior Tax Strategy Consultant

Quantum Tax Strategies, LLP

License No. 87642-CA

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## 8. SIGNATURES

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Dr. Elena Rodriguez

CEO, Nexus Intelligent Systems, Inc.

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Michael Chen

CTO, Nexus Intelligent Systems, Inc.