

# **Tax Compliance and Reporting Document**

**Confidential - For Internal Review Only**

**Nexus Intelligent Systems, Inc.**

## **1. INTRODUCTION AND PURPOSE**

1 This Tax Compliance and Reporting Document ("Document") provides a comprehensive overview of the tax compliance status, historical reporting practices, and material tax considerations for Nexus Intelligent Systems, Inc. (the "Company"), as of January 22, 2024.

2 The purpose of this document is to provide a detailed assessment of the Company's tax compliance posture, potential tax liabilities, and historical tax reporting practices for the period spanning fiscal years 2019-2023.

## **2. TAX JURISDICTION AND CORPORATE STRUCTURE**

### **1 Corporate Jurisdiction**

- Incorporated in: Delaware, United States
- Primary Business Domicile: San Francisco, California
- Federal Tax ID: 87-2345678
- State Tax Registration: California Franchise Tax Board

### **2 Corporate Structure**

- Single legal entity with no subsidiary corporations
- Registered as a C-Corporation for federal tax purposes
- Venture capital-backed technology enterprise

## **3. TAX FILING HISTORY**

### **1 Federal Tax Returns**

- Annual federal corporate income tax returns filed consistently for tax years 2019-2023
- No outstanding federal tax deficiencies or unresolved audit issues
- Federal tax returns prepared by Ernst & Young LLP

### **2 State Tax Returns**

- California state franchise tax returns filed annually

- No state-level tax penalties or unresolved assessments
- Compliant with California Franchise Tax Board regulations

#### **4. TAX COMPLIANCE ASSESSMENT**

##### **1 Income Tax Compliance**

- Consistent filing of IRS Form 1120 (Corporate Income Tax Return)
- Effective tax rate range: 21-24% across reporting periods
- No material adjustments or corrections required in previous filings

##### **2 Payroll Tax Compliance**

- Regular and timely filing of IRS Form 941 (Quarterly Payroll Tax Returns)
- Full compliance with federal and state payroll tax withholding requirements
- No outstanding payroll tax liabilities or penalties

##### **3 Sales and Use Tax**

- Registered for sales tax collection in California
- Consistent filing of state sales tax returns
- Implemented comprehensive sales tax compliance tracking system

#### **5. POTENTIAL TAX RISKS AND CONTINGENCIES**

##### **1 Research and Development Tax Credits**

- Claimed R&D tax credits under IRC Section 41
- Estimated annual R&D credit: \$350,000-\$475,000
- Documentation maintained to substantiate credit claims

##### **2 Transfer Pricing Considerations**

- No international subsidiaries or cross-border transactions
- Minimal transfer pricing risk due to domestic operational structure

##### **3 Identified Potential Contingencies**

- Potential audit exposure for R&D tax credit substantiation
- Recommended ongoing documentation maintenance
- Estimated potential contingent liability: Less than \$100,000

## **6. TAX ACCOUNTING PRACTICES**

### **1 Accounting Method**

- Accrual basis accounting
- Consistent application of GAAP principles
- Annual financial statements audited by independent CPA firm

### **2 Revenue Recognition**

- Recognizes revenue in compliance with ASC 606
- Detailed documentation of revenue recognition policies
- Consistent application across service contracts

## **7. PROFESSIONAL ADVISORY RELATIONSHIPS**

### **1 Tax Advisory Firms**

- Primary Tax Counsel: Ernst & Young LLP
- Tax Compliance Advisor: KPMG Tax Services
- Annual tax strategy review conducted consistently

## **8. LIMITATIONS AND DISCLAIMERS**

1 This document represents management's best assessment of the Company's tax compliance status as of the date of preparation. Future tax positions may change based on evolving business circumstances, regulatory changes, or additional information.

2 The information contained herein is provided for informational purposes and should not be construed as definitive tax advice.

## **9. SIGNATURES**

Dr. Elena Rodriguez

Chief Executive Officer

Nexus Intelligent Systems, Inc.

Date: January 22, 2024

Michael Chen

Chief Financial Officer

Nexus Intelligent Systems, Inc.

Date: January 22, 2024