

# **Delaware 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 Delaware Economic Nexus Compliance Report ("Report") provides a comprehensive analysis of Nexus Intelligent Systems, Inc.'s ("Company") tax compliance status with respect to economic nexus regulations across multiple jurisdictions, with specific emphasis on Delaware state tax requirements and multi-state economic presence considerations.

### **1.1 Key Findings**

- Total identified economic nexus jurisdictions: 17 states
- Potential tax exposure: Estimated \$124,500 - \$276,300
- Compliance risk rating: Moderate
- Recommended immediate actions: Comprehensive nexus study and voluntary disclosure agreements

## **2. Company Profile and Nexus Context**

### **2.1 Corporate Overview**

- Legal Entity: Nexus Intelligent Systems, Inc.
- State of Incorporation: Delaware
- Primary Business: Enterprise AI Services & Predictive Analytics
- Annual Revenue: \$12,500,000
- Fiscal Year End: December 31

### **2.2 Economic Nexus Characteristics**

The Company's business model creates economic nexus through:

- Digital service delivery across state boundaries
- Enterprise software licensing

- Remote consulting services
- Technology implementation projects

### **3. Detailed Nexus Analysis**

#### **3.1 Threshold Assessment**

Economic nexus thresholds typically involve:

- Annual gross receipts exceeding state-specific limits
- Number of transactions in specific jurisdictions
- Percentage of revenue derived from individual states

##### **3.1.1 Revenue Nexus Triggers**

- States with \$100,000 annual revenue threshold: 12
- States with 200 transaction threshold: 5
- Potential multi-state tax reporting requirements: High

#### **3.2 Identified Nexus Jurisdictions**

Comprehensive analysis reveals economic presence in:

California

New York

Texas

Illinois

Massachusetts

Washington

Colorado

Georgia

Florida

Pennsylvania

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

#### **4.1 Current Compliance Status**

- Registered for sales tax: Partial
- State tax returns filed: Incomplete

- Voluntary disclosure agreements: None currently executed

## **4.2 Potential Tax Exposures**

- Estimated unremitted sales tax: \$87,300 - \$156,500
- Potential penalty range: \$37,200 - \$119,800
- Lookback period exposure: 3-4 years

## **5. Recommended Mitigation Strategies**

### **5.1 Immediate Actions**

Conduct comprehensive nexus study

Implement automated sales tax compliance software

File voluntary disclosure agreements in high-risk states

Retroactively file missing state tax returns

### **5.2 Long-Term Compliance Framework**

- Quarterly economic nexus monitoring
- Automated transaction tracking
- Annual multi-state tax compliance review

## **6. Legal Disclaimer**

This report represents a professional assessment based on available information as of January 22, 2024. The Company is advised to consult specialized tax counsel for definitive guidance.

### **6.1 Limitations of Analysis**

- Subject to change in state tax regulations
- Dependent on accuracy of provided financial data
- Not a substitute for comprehensive legal advice

## **7. Signatures**

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