

# **R&D TAX CREDIT SUPPORTING CALCULATIONS**

**Summit Digital Solutions, Inc.**

For Tax Year 2023

Prepared: January 9, 2024

## **1. OVERVIEW AND CERTIFICATION**

This document provides detailed calculations and supporting documentation for Summit Digital Solutions, Inc.'s ("Company") Research & Development Tax Credit claim under IRC Section 41 for tax year 2023. These calculations have been prepared in accordance with IRS regulations and guidelines.

The undersigned officers certify that the information contained herein is true and accurate to the best of their knowledge.

## **2. QUALIFIED RESEARCH EXPENSES (QRE) SUMMARY**

### **2.1 Wage QREs**

- Direct Research Personnel: \$12,475,000
- First-Line Research Supervision: \$3,850,000
- Support Personnel (allocable portion): \$1,725,000

**Total Wage QREs: \$18,050,000**

### **2.2 Supply QREs**

- Laboratory Equipment: \$875,000
- Prototype Materials: \$1,250,000
- Testing Materials: \$625,000

**Total Supply QREs: \$2,750,000**

### **2.3 Contract Research**

- University Research Partnerships: \$1,500,000
- Third-Party Development Services: \$2,250,000

**Total Contract Research: \$3,750,000 (65% eligible = \$2,437,500)**

## **3. QUALIFYING RESEARCH PROJECTS**

### **3.1 Peak Performance Platform Development**

- Machine Learning Algorithm Development
- IoT Sensor Integration Framework
- Real-time Analytics Engine

**Allocated QREs: \$8,750,000**

### **3.2 Enterprise Process Automation**

- Intelligent Workflow Engine
- Natural Language Processing Systems
- Automated Decision Support Framework

**Allocated QREs: \$7,250,000**

### **3.3 IoT Integration Systems**

- Sensor Data Processing Architecture
- Edge Computing Framework
- Device Management Protocol

**Allocated QREs: \$7,237,500**

## **4. BASE PERIOD CALCULATIONS**

### **4.1 Fixed-Base Percentage**

- Prior Years' Aggregate QREs: \$89,750,000
- Prior Years' Aggregate Gross Receipts: \$298,500,000

**Fixed-Base Percentage: 30.07%**

### **4.2 Average Annual Gross Receipts**

- 2019: \$52,500,000
- 2020: \$65,750,000
- 2021: \$72,250,000
- 2022: \$80,000,000

**Four-Year Average: \$67,625,000**

## **5. CREDIT CALCULATION**

### **5.1 Regular Credit Method**

- Current Year QREs: \$23,237,500
- Base Amount: \$20,333,437
- Excess QREs: \$2,904,063

**Regular Credit (20%): \$580,813**

### **5.2 Alternative Simplified Credit Method**

- Current Year QREs: \$23,237,500
- Prior 3 Years Average QREs: \$19,750,000
- ASC Base Amount: \$9,875,000

**ASC (14%): \$1,870,750**

## **6. DOCUMENTATION AND SUBSTANTIATION**

### **6.1 Supporting Documentation Maintained**

- Employee time tracking records
- Project documentation and technical specifications
- Research experiment logs and test results
- Contract research agreements
- Financial records and expense allocation worksheets

### **6.2 Four-Part Test Compliance**

All claimed research activities have been verified to meet the four-part test:

Permitted Purpose

Technological in Nature

Technical Uncertainty

Process of Experimentation

## **7. CERTIFICATION AND SIGNATURES**

The undersigned hereby certify that these calculations have been prepared in accordance with IRC Section 41 and all applicable regulations and guidance.

SUMMIT DIGITAL SOLUTIONS, INC.

**By: \_**

Dr. Alexandra Reeves

Chief Executive Officer

Date: January 9, 2024

**By: \_**

James Henderson

Chief Digital Officer

Date: January 9, 2024

## **8. DISCLAIMER**

This document is prepared solely for the purpose of supporting Summit Digital Solutions, Inc.'s R&D tax credit claim. While reasonable care has been taken in its preparation, the Company makes no representations or warranties regarding the acceptance of these calculations by taxing authorities. This document should be reviewed by qualified tax professionals before being relied upon for tax filing purposes.