

Annual Sales and Use Tax Compliance Report

Nexus Intelligent Systems, Inc.

Fiscal Year Ending December 31, 2023

1. Executive Summary

This Annual Sales and Use Tax Compliance Report ("Report") provides a comprehensive review of Nexus Intelligent Systems, Inc.'s ("Company") sales and use tax compliance activities for the fiscal year ending December 31, 2023. The Report documents the Company's tax reporting methodology, jurisdictional tax obligations, compliance strategies, and material tax risk assessments.

2. Jurisdictional Tax Coverage

2.1 Primary Operational Jurisdictions

- Delaware (State of Incorporation)
- California (Primary Operations Headquarters)
- New York (Secondary Sales Office)
- Texas (Regional Enterprise Solutions Center)

2.2 Taxable Revenue Breakdown

- Total Gross Revenue: \$12,500,000
- Taxable Service Revenue: \$10,750,000
- Non-Taxable Revenue: \$1,750,000

3. Compliance Methodology

3.1 Sales Tax Collection Protocols

The Company maintains a comprehensive sales tax collection system that:

- Automatically identifies taxable transactions
- Applies jurisdiction-specific tax rates
- Tracks and records all sales tax collections
- Generates monthly and quarterly tax reporting documentation

3.2 Use Tax Assessment

Nexus Intelligent Systems implements a rigorous use tax assessment protocol for:

- Purchased equipment and technology infrastructure
- Out-of-state service acquisitions
- Software and digital asset procurement

4. Tax Liability Analysis

4.1 Total Tax Liability

- Collected Sales Tax: \$642,500
- Estimated Use Tax: \$87,300
- Total Tax Liability: \$729,800

4.2 Tax Compliance Metrics

- Jurisdictions Reported: 4
- Filing Frequency: Monthly
- On-Time Filing Rate: 100%
- Audit Readiness Score: 9.2/10

5. Risk Assessment and Mitigation

5.1 Identified Potential Risks

- Multi-state service delivery complexities
- Evolving digital service taxation frameworks
- Potential nexus expansion challenges

5.2 Mitigation Strategies

- Continuous tax law monitoring
- Quarterly compliance review processes
- Proactive jurisdictional registration
- Maintained comprehensive documentation

6. Technology and Compliance Infrastructure

6.1 Tax Compliance Technology

- Automated tax calculation software
- Real-time transaction monitoring system
- Integrated reporting and documentation platform

6.2 Internal Controls

- Quarterly internal tax compliance audits
- Segregation of tax reporting responsibilities
- External tax advisory consultation

7. Certifications and Declarations

We certify that to the best of our knowledge:

- All reported information is accurate and complete
- Tax calculations conform to applicable jurisdictional requirements
- All necessary tax obligations have been fulfilled

8. Limitations and Disclaimers

This report represents management's best assessment of the Company's sales and use tax compliance status. External factors, regulatory changes, or unforeseen circumstances may impact future tax obligations.

9. Signatures

Prepared By:

- Michael Chen, Chief Technology Officer
- Sarah Williamson, Chief Strategy Officer

Reviewed By:

- Corporate Tax Compliance Department
- External Tax Advisory Firm: Thompson & Associates, LLP

Date of Preparation: January 22, 2024

10. Appendices

- Detailed Transaction Logs
- Jurisdictional Tax Rate Schedules
- Compliance Documentation Archive

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