

Qualified Business Income Deduction Worksheet

Confidential Document - Nexus Intelligent Systems, Inc.

1. Purpose and Scope

1 This Qualified Business Income (QBI) Deduction Worksheet ("Worksheet") is prepared by Nexus Intelligent Systems, Inc. (the "Company") to comprehensively analyze and document the Company's potential Section 199A deduction for the tax year ending December 31, 2023.

2 The purpose of this Worksheet is to:

- a) Calculate the Company's potential Qualified Business Income Deduction
- b) Document the methodology for QBI deduction computation
- c) Provide a comprehensive tax planning and compliance record

2. Definitions

1 "Qualified Business Income" shall mean the ordinary income, gain, deduction, and loss derived from the Company's active trade or business operations, as defined under Section 199A of the Internal Revenue Code.

2 "Specified Service Trade or Business" (SSTB) refers to any trade or business primarily engaged in the performance of services in the fields of health, law, accounting, actuarial science, performing arts, consulting, athletics, financial services, or any business where the principal asset is the reputation or skill of one or more employees.

3. Computational Methodology

1 Total Qualified Business Income Calculation

- a) Gross Receipts: \$12,500,000
- b) Cost of Goods Sold: \$4,375,000
- c) Ordinary Business Expenses: \$5,625,000
- d) Net Qualified Business Income: \$2,500,000

2 Deduction Computation Phases

Phase 1: Base Calculation

- 20% of Qualified Business Income: \$500,000

Phase 2: W-2 Wage and Depreciable Property Limitation

- Total W-2 Wages Paid: \$6,125,000
- Unadjusted Basis of Depreciable Property: \$3,750,000

3 Taxable Income Threshold Analysis

a) Threshold Determination:

- Single Filer Threshold: \$170,050
- Married Filing Jointly Threshold: \$340,100

b) Company's Adjusted Taxable Income: \$8,750,000

c) Excess Above Threshold: \$8,410,000

4. Limitation Calculations

1 W-2 Wage Limitation

- 50% of Total W-2 Wages: \$3,062,500
- 25% of W-2 Wages Plus 2.5% of Unadjusted Basis: \$1,593,750

2 Deduction Constraint Calculation

- Lesser of:
 - a) 20% of Qualified Business Income
 - b) Greater of W-2 Wage or Property Basis Limitation

Resulting Preliminary QBI Deduction: \$500,000

5. SSTB Considerations

1 Enterprise AI Services Classification

- Primary business activities do not constitute a Specified Service Trade or Business
- Full QBI deduction eligibility maintained

6. Documentation and Compliance

1 Supporting Documentation

- Attached: Detailed income statements

- Attached: Payroll records
- Attached: Depreciation schedules

2 Compliance Attestation

The undersigned certifies that this Worksheet has been prepared with reasonable care and represents an accurate computation of the Company's Qualified Business Income Deduction.

7. Disclaimer

1 This Worksheet is prepared for internal tax planning purposes and should not be considered definitive tax advice. Consultation with a qualified tax professional is recommended.

8. Execution

Executed this 22nd day of January, 2024.

Dr. Elena Rodriguez

Chief Executive Officer

Nexus Intelligent Systems, Inc.

Michael Chen

Chief Financial Officer

Nexus Intelligent Systems, Inc.