

Date: [Insert Date]

To: [Client Name/Company Name]

Attn: [Contact Person]

Address: [Insert Address]

RE: Nexus Evaluation and Recommendation for Voluntary Disclosure Agreement (VDA)

Dear [Name],

Pursuant to your request, we have performed an evaluation of [Company Name]'s business activities to determine whether "nexus" has been established in the state of [State Name] for [Sales and Use / Income / Franchise] tax purposes. This letter provides our formal opinion regarding your potential tax liabilities and our recommendation for pursuing a Voluntary Disclosure Agreement (VDA).

I. Scope of Review

Our analysis is based on the financial records, physical presence data, and transaction summaries provided for the period beginning [Start Date] and ending [End Date]. We have reviewed these activities against [State Name] statutes, specifically [Cite Specific State Code/Regulation].

II. Nexus Determination

Based on our findings, it is our opinion that [Company Name] established nexus in [State Name] on or about [Effective Date] due to the following activities:

- [Description of Physical Presence, e.g., remote employees, inventory in third-party warehouses].
- [Description of Economic Presence, e.g., exceeding sales or transaction thresholds].
- [Description of Ancillary Activities, e.g., installation services or trade show attendance].

III. Estimated Liability

Under the current nexus standards, we estimate the following exposure for the look-back period:

- **Principal Tax:** \$[Amount]
- **Estimated Interest:** \$[Amount]
- **Potential Penalties (if not waived):** \$[Amount]

IV. Recommendation for Voluntary Disclosure

Because the company has established nexus but has not yet been contacted by the [State Department of Revenue], we strongly recommend entering into a Voluntary Disclosure Agreement (VDA). The benefits of this program include:

- Limitation of the look-back period to [Number] years.
- Full waiver of all failure-to-file and failure-to-pay penalties.
- Elimination of the risk of an unannounced audit.

V. Conclusion

In conclusion, it is our professional opinion that [Company Name] has a filing obligation in [State Name]. Filing a VDA represents the most cost-effective method to achieve compliance and mitigate financial risk.

Please advise if you wish for our firm to initiate the anonymous application process with the state authorities.

Sincerely,

[Signature]

[Name of Principal/Tax Professional]

[Firm Name]