



Vertex[®] Lease Tax O Series[®]
Transaction Processing System
WHITE PAPER



OVERVIEW 4

TAX CALCULATION AUTOMATION 4

COMMON PRODUCT CAPABILITIES..... 5

 Rules-based Tax Service Engine..... 5

 Standard Data 5

 User Data 5

 Jurisdiction Identification 6

 Flexible Deployment..... 6

 New Technology 6

 Unified User Interface 6

DYNAMIC CHANGES IN THE MARKETPLACE 6

VERTEX LEASE TAX O SERIES 7

CRITICAL NEED FOR FLEXIBLE TECHNOLOGY PLATFORM..... 8

 Multiple Dimension Taxability 8

 Multiple Impositions..... 9

 Tax Assist..... 9

AN INTEGRATED APPROACH 9

 Vertex Lease Tax O Series Transaction Processing System..... 10

 Web Service Interface Layer..... 10

 Vertex Central Graphical User Interface 10

SUMMARY 11

 ABOUT VERTEX INC. 11



OVERVIEW

By combining the latest technology, comprehensive tax research, and extensive experience as a provider of tax software solutions, Vertex[®] has developed a new generation of tax calculation products. These products are part of Vertex[®] O Series[®] - a suite of solutions built on the common architecture of the Transaction Processing System (TPS). By using object-oriented techniques and Web technologies such as Java, HTML, XML, and SOAP, the TPS architecture provides flexible deployment options for a variety of operating environments.

Utilizing a common architecture for all transaction-based tax calculation products, Vertex delivers significant benefits to users who require solutions for multiple tax types such as sales, consumer use, and value added taxes. And now Vertex offers assistance to leasing industry customers with a solution that handles the tax complexities for leasing and short-term rental transactions.

Benefits of Vertex O Series include:

- A common functionality of the TPS allowing shared setup and maintenance tools, reporting functions, and a common interface for the financial host system.
- Greater efficiency for both tax professionals and system implementers.
- Simplified maintenance of multiple business units and multiple installations through the use of a centralized architecture.

TAX CALCULATION AUTOMATION

Using an automated tax calculation solution can significantly streamline the tax calculation process by eliminating costly manual processes. The automated process begins when Vertex O Series is integrated with the financial host system using the Transaction Processing System's direct call Java API or Web Service XML messages.

When the host system creates and passes business transaction information using the Java API or the XML Web Service, the Tax Service Engine calculates tax in real time and provides immediate feedback results to the host system. Tax result data is stored in the Tax Journal as a historical record of all tax calculations.

This data can then be used to:

- Populate tax returns for remittance to the appropriate jurisdictions on a periodic basis.
- Create audit and management reports with detailed information regarding sales, consumer use, and value added tax activity.

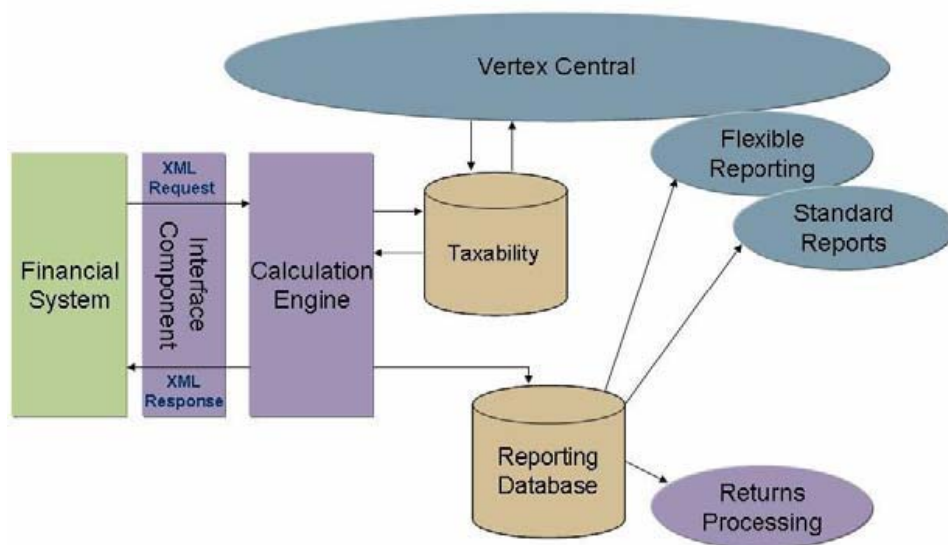


Figure 1 – Vertex O Series tax calculation system.

COMMON PRODUCT CAPABILITIES

Vertex O Series products all share the following common capabilities of the Transaction Processing System:

RULES-BASED TAX SERVICE ENGINE

The products include a rules database that contains Vertex tax research on jurisdiction rates, exceptions, and exemptions specific to each tax type. This database offers users the ability to link these rules to specific business conditions for accurate calculation of tax on transactions.

Vertex updates the rules database regularly to stay current with ever-changing tax laws, simplifying user maintenance into a one-step database update. For example, even complex changes to tax laws such as new tiered structures can be added to the system with a simple data update.

STANDARD DATA

The standard jurisdiction rules and rates provided for Vertex O Series products are more detailed than any previous generations of Vertex tax solutions. Over the years, tax jurisdictions have defined many ways to calculate tax, including tiered tax, maximum basis tax, maximum tax amount tax, bracket tax, and percentage-based tax. One of the major features of the Transaction Processing System is the implementation of rules in a non-jurisdiction specific way, enabling the system to be quickly updated to adapt to changes in tax law with a data update. Should a jurisdiction change from a flat percentage based scheme to a tiered scheme, the system can be updated quickly with a simple download of the latest tax data from Vertex.

USER DATA

Through the Taxability Manager, a tax professional can tailor the tax calculation system to handle special tax processing situations. Any user-defined tax calculation rates and rules may be added to the system to supplement or override any Vertex-supplied tax calculation rule.



JURISDICTION IDENTIFICATION

Jurisdiction identification is essential for accurate tax calculation. Based on input address information, Vertex[®] TaxGIS[™] – a component of Vertex O Series – can pinpoint the full set of jurisdictions imposing tax for a given transaction. Jurisdictions can be identified from the country, state, county, city, and district level. In addition, Vertex provides monthly updates for jurisdiction identification.

FLEXIBLE DEPLOYMENT

Users also have multiple options for deploying Vertex O Series in their environment. The architecture supports deployment of the products on an application server that can be separate from the business system server. This added flexibility allows for centralized calculation engine deployments. For example, Vertex products for sales, consumer use, and value added taxes can run on a single application server that may be handling accounts receivable invoice processing and may be automating accounts payable calculations simultaneously.

This centralized type of architecture simplifies the maintenance of multiple business units and multiple installations of Vertex products. In addition, edits to taxability can be made in a single repository and reports can be generated from a central transaction log.

NEW TECHNOLOGY

The Transaction Processing System utilizes the latest in Web technologies. These technologies allow the software to run in a platform-independent, Web-based environment from which all databases can be accessed. Vertex O Series products can operate in the same environment as financial, online, and hosted applications.

UNIFIED USER INTERFACE

Vertex Central serves as a single user interface from which all user functionality for Vertex O Series is accessed. Tax Professionals can set up business specific taxability using the Taxability Manager, run reports of logged transactions for audit or reporting purposes, look up tax rates, and run utilities like Vertex's monthly data updates, from the same Web-enabled application.

As an added convenience, the application can be customized with shortcuts to frequently accessed functions specific to individual users.

DYNAMIC CHANGES IN THE MARKETPLACE

The global leasing industry is undergoing a dynamic transformation caused in part by increasing customer demands, new competitive pressures, and regulatory changes. Such a business climate will require lessors to adapt by increasing operational efficiencies, and developing new products which will generate non-traditional income streams and perhaps require new distribution channels. A new business paradigm will be required. Organizations will need to welcome change in their company which includes embracing new technologies if they are to grow and prosper.

Vertex as the market leader in tax calculation software is keenly aware of these changes and has developed a solution that directly addresses the tax calculation needs of lessors across the globe with **Vertex[®] Lease Tax O Series[®] and Vertex Lease Tax O Series - International.**



VERTEX LEASE TAX O SERIES

Vertex Lease Tax O Series calculates tax for business transactions from the point of origination through disposition. Tax can be estimated on lease originations, calculated on entered bookings, revised based on contract changes, and included on the final invoice to the customer.

Using the Taxability Manager, the tax professional can map product identifiers in the financial host system to Vertex-supplied categories. When the Tax Service Engine processes transactions, the system automatically applies the proper taxability to the item for the identified jurisdictions based on Vertex-supplied tax rules included with the system.

Tax professionals can also enter exemption certificates and direct-pay permit information associated with their customers. When an invoice for a customer is processed, the Tax Service Engine recognizes the exemption. A record of the event is stored in the Tax Journal with the appropriate certificate identifier, which enables the tax professional to access all exemption information if needed during an audit. Vertex Lease Tax O Series can either be licensed as a stand-alone product, or implemented with other Vertex products for sales, consumer use, and value added taxes.

VERTEX LEASE TAX O SERIES - INTERNATIONAL

Vertex Lease Tax O Series – International meets the needs of vehicle and equipment lessors around the world. Major functionality includes VAT calculation logic for short and long term leases and rentals, special taxability rules, including weight and duration, and the ability to apply or create rules appropriate to a lease or rental.

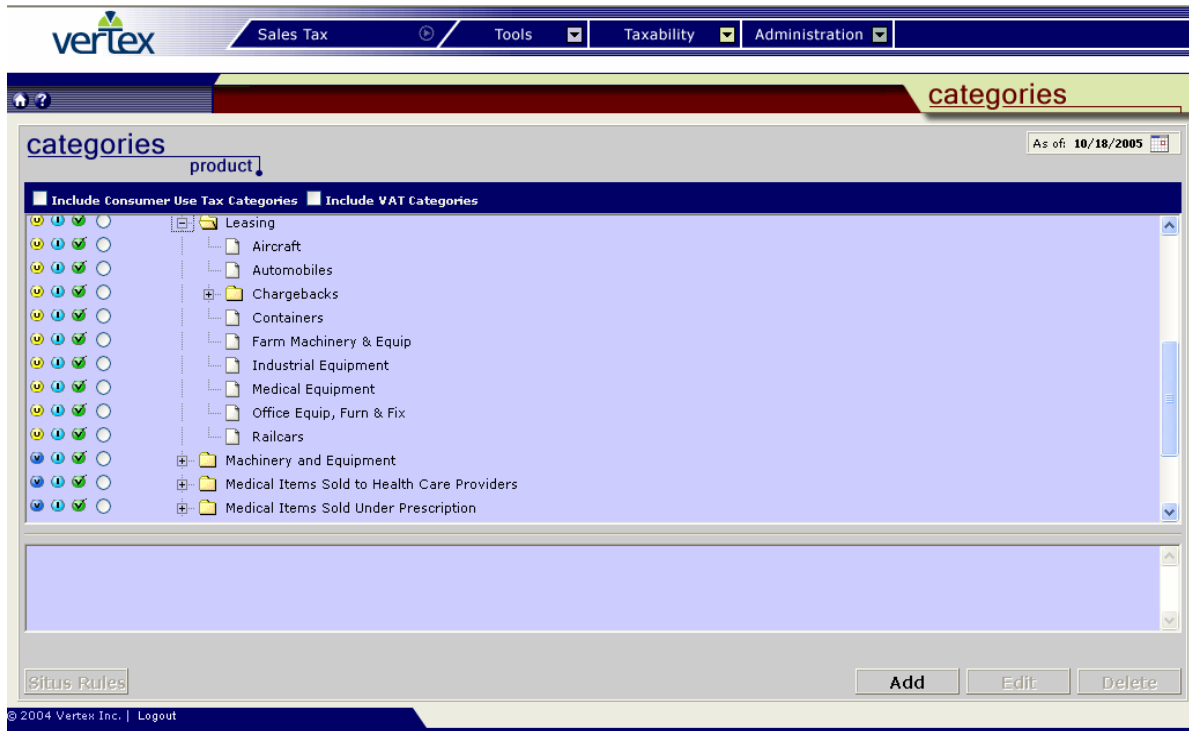


Figure 2 – The standard graphical user interface of the Taxability Manager included with Vertex Lease Tax O Series.



CRITICAL NEED FOR FLEXIBLE TECHNOLOGY PLATFORM

To keep pace with business, technology systems will require versatility and must be capable of supporting diverse products and distribution channels. The ability to bring new products to market quickly will also contribute to a company's success. Management must adapt as well, using effective customer relationships to enhance and encourage cross-selling. Likewise, forward thinking will help ensure that the technology platforms adopted will result in the optimization of partner relationships. In an evolving market, system flexibility is tantamount to success. Platforms will need to accommodate rapidly changing products.

Vertex Lease Tax O Series leverages the existing TPS and provides additional functionality for the leasing industry. This additional functionality includes multiple dimension taxability, multiple impositions, and tax assist.

MULTIPLE DIMENSION TAXABILITY

As lessors of vehicles and equipment are acutely aware, the taxability of the asset can be based on several factors other than the tax jurisdiction and the customer's tax status. These factors may include the weight or horsepower and the term of the lease.

Vertex Lease Tax O Series meets this challenge by providing additional parameters or tax drivers that can be associated with a lease contract. Using these drivers, the proper amount of tax will be applied to the contract. The tax professional and the billing organization can define the drivers unique to a specific customer's business. Customers are not locked in to predefined drivers.

Vertex Lease Tax O Series does, however, contain pre-populated rules for the most common dimensions for leasing, namely with weight and lease duration. Figure 3 illustrates how this feature appears in the Taxability Manager.

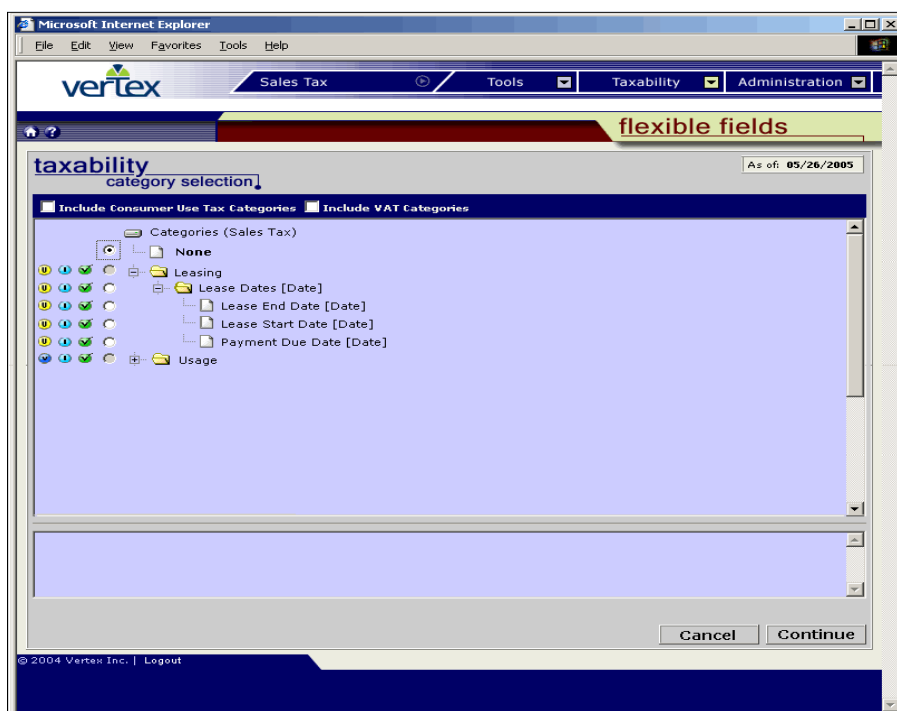


Figure 3 – Multiple Dimension Taxability



MULTIPLE IMPOSITIONS

Using the situation outlined in the previous section, leases involving vehicles and agricultural equipment may also face the imposition of surcharges and fees in addition to the normal sales tax. Vertex Lease Tax O Series provides calculation for the usual sales taxes in addition to any surcharges and/or fees that may be associated with the contract.

Furthermore, standard functionality includes the required logic to specify if one imposition is included in the tax base of another imposition, thereby providing the billing system with a complete tax calculation without the need for manually prepared invoices to include the surcharge and fee impositions.

TAX ASSIST

Not all systems are created equal. Nor do all systems maintain and process data in the same manner. To this end, Vertex Lease Tax O Series contains a new Tax Assist feature, designed for various client systems to prepare the base XML message and also to provide twenty-five additional pieces of information regarding the transaction.

Using the base XML message and the additional fields, a user may create specific rules related to the XML message and revise any of the standard XML fields with a code, date or numeric expression as required, in order to direct the transaction to the most accurate taxability rule. While we expect this feature's use to be minimal, it does provide the flexibility to make Vertex Lease Tax O Series work in a user's world with individual data and rules.

AN INTEGRATED APPROACH

There are no boundaries in today's commerce channels. Transactions are executed in more traditional mainframe and ERP environments, in addition to channels that are now defining e-commerce, such as online stores, CRM applications and B2B applications. Vertex Lease Tax O Series is designed to be the singular tax engine that works with both traditional and advanced processing environments and business models, as illustrated in Figures 4 and 5, below:

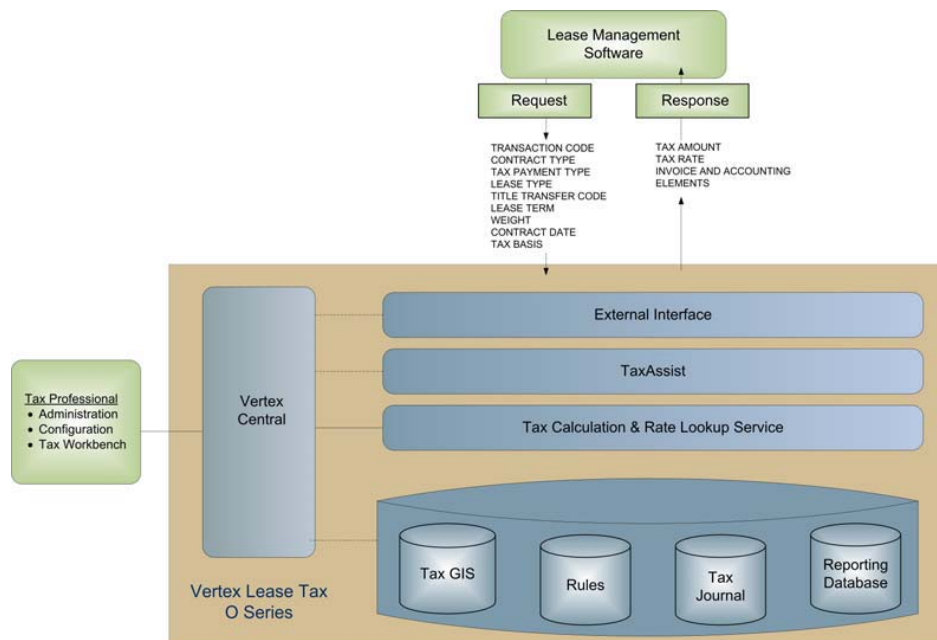


Figure 4 – Invoicing System

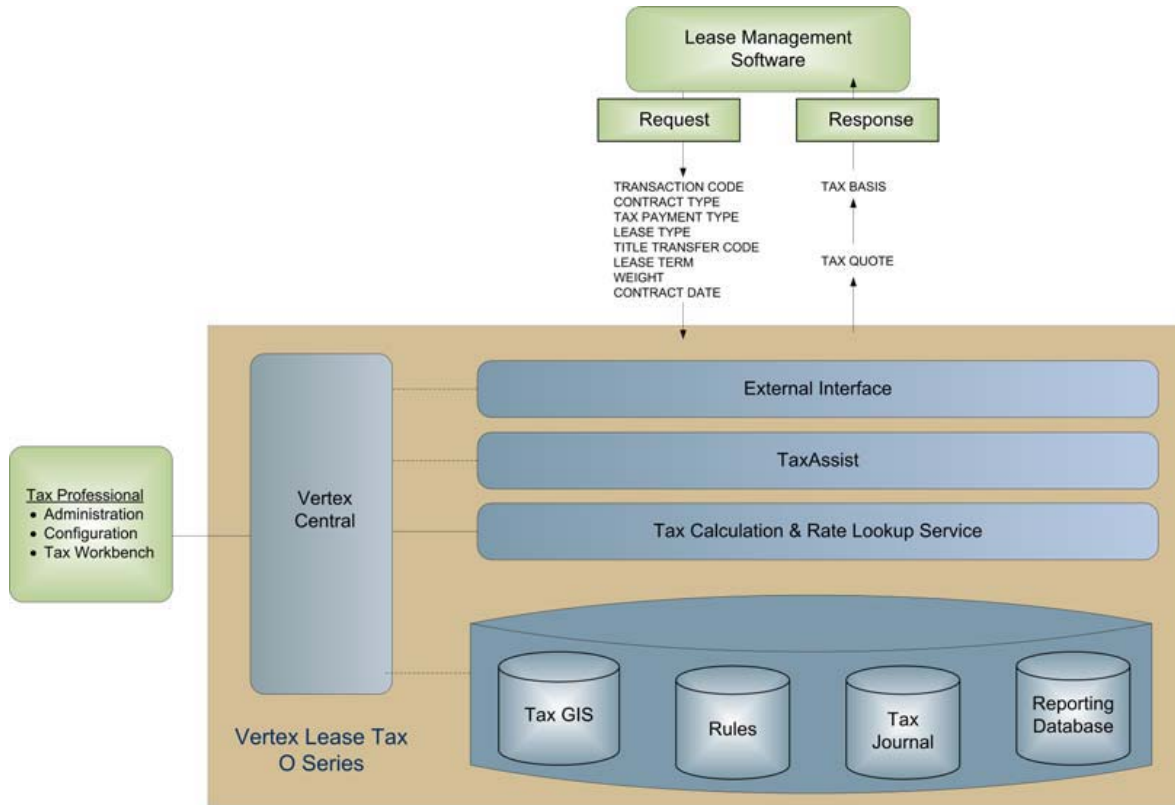


Figure 5 – Origination System

VERTEX LEASE TAX O SERIES TRANSACTION PROCESSING SYSTEM

The TPS is the common platform to handle all transaction taxes, including sales, consumer use, and value added taxes. This platform allows each product to leverage common capabilities such as security and maintenance tools.

WEB SERVICE INTERFACE LAYER

The Web service interface layer permits users to send and receive tax-related XML messages between the host financial application and Vertex O Series. This layer allows for maximum interoperability between different operating systems and different technology platforms.

Vertex provides a description of the tax services for users to build Web service integrations to Vertex O Series. This description leverages an XML formatted language to publish a Web service's capabilities and communication endpoints.

VERTEX CENTRAL GRAPHICAL USER INTERFACE

Vertex Central is the graphical user interface (GUI) designed for the purpose of system management and configuration. It provides a HTML user interface that is accessible through a Web browser. The GUI interacts with the core system in Vertex O Series to service the user requests.



SUMMARY

The global leasing industry faces a host of challenges brought about by regulation, increasing customer demands, and competitive pressures. Vertex is dedicated to providing and maintaining a solution that automates your tax process so you can better meet these challenges.

For years we have provided products and services that make managing tax processes easier, less complicated and less time-consuming. Our new generation of products — Vertex[®] Sales Tax O Series[®], Vertex Consumer Use Tax O Series and Vertex Value Added Tax O Series— are the most powerful and flexible offerings to date. Vertex continues its tax automation commitment through Vertex Lease Tax O Series and Vertex Lease Tax O Series - International.

ABOUT VERTEX INC.

With 30 years of experience, Vertex Inc. is the leading provider of advanced tax technology solutions, delivering technology solutions and process management services to customers worldwide.

Vertex solutions help companies streamline and integrate tax provision and compliance processes, and leverage information to discover new strategic tax savings across every major line of business tax, including income, sales, consumer use, value added, communications, and payroll. To serve its customers, Vertex works in partnership with the world's leading providers of ERP software and related services.

Founded in 1978, Vertex is a privately held company that employs over 600 professionals at its headquarters in the U.S. (Berwyn, PA) and its offices in Europe (London), Atlanta, Chicago, Dallas, Phoenix, San Francisco, Sarasota, and Washington, DC.

For more information about Vertex, visit the Web site at www.vertexinc.com.



Vertex Lease Tax O Series Transaction Processing System

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