



# Implementing GASB 96 – Subscription Based IT Arrangements

Effective FY2023

## OVERVIEW

[Statement No. 96](#) establishes a definition for SBITAs and provides guidance on the accounting and financial reporting for such arrangements. The definition and requirements are very similar to those for GASB 87, *Leases*.

A SBITA is a contract that conveys control of the right to use another party’s IT software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction.

## ACCOUNTING OVERVIEW

For SBITA contracts with a term greater than one year and that exceed the capitalization threshold of \$1,000,000 in payments over the subscription term, the following will be recorded:

|   | LIABILITY   | ASSET   |
|---|---|---|
| <b>COMMENCEMENT OF SUBSCRIPTION TERM*</b> | Record Subscription Liability (GL 5175/5275) equal to present value of subscription payments (fixed payments, variable payments that depend on a rate, and variable payments that are fixed in-substance) | Record Subscription Asset (GL 2670) equal to Subscription Liability + <a href="#">capitalizable initial implementation costs</a> + payments made to SBITA vendor at contract commencement |
| <b>SUBSEQUENT PERIODS</b>                 | Reduce Subscription Liability as payments are made for portion related to principal using SO/SSO EY/Y200<br><br>Record Interest expense using SO/SSO EY/Y201  | Record amortization expense (GL 6511 or 6591) and allowance for amortization on subscription asset (GL 2680) over the subscription term using straight-line method                        |

*\*The subscription term begins when the subscription asset is placed into service. This occurs when (1) the initial implementation stage is completed and (2) the government has obtained control of the right to use the underlying IT assets.*

**Initial Implementation Stage expenses are capitalizable.** These activities include ancillary charges to design the chosen path, such as configuration, coding, testing and installation. It does not include training. Refer to [this resource](#) for more details on the stages of a SBITA implementation.

**Short-term SBITA contracts have a maximum subscription term of one year or less**, including options to extend. These contracts should be recorded as an expenditure/expense.

## CONTRACTS WILL BE RECORDED IN THE FACILITIES PORTFOLIO MANAGEMENT TOOL (FPMT)

Starting July 2022, SBITAs that meet the capitalization threshold, can be entered in FPMT as an Other Asset, and “Software” should be selected as the Asset Type on the Other Asset Lease Contract.

All current SBITAs must be entered in FPMT by April 30, 2023. Then continue to update FPMT as new contracts or amendments are signed.



TIMELINE AND CHECKLIST

- ✓ [Create an inventory](#) of existing IT software contracts.
- ✓ Determine which contracts meet the GASB 96 definition of a SBITA and which contracts can be excluded.
- ✓ Review SAAM policies and procedures
- ✓ Discuss policies and workflows related to SBITAs:
  - Who will enter in FPMT?
  - Who will review and release in AFRS or who will record entries in AFRS?
  - Do additional people need access to FPMT?
  - How will future SBITAs be identified?
- ✓ To prepare for entry in FPMT, review and update the master indexes used for SBITAs (master index is the only accounting coding entered in FPMT).

JUL 2022

- ✓ Attend OFM Training on SBITAs and PPPs (Fall 2022)
- ✓ Add SBITAs to FPMT by April 30, 2023.
  - OK to start adding after 8/1.
  - Add as an Other Asset, and on the Other Asset Lease Contract, select "Software" as the Asset Type.
- ✓ Review and release FPMT batches in AFRS (batch type QF).

APR 2023

- ✓ Assist OFM as they record beginning balance entries and review the data.
- ✓ Continue to update FPMT as new contracts are entered into or are renewed.

JUN 2023

- ✓ Enter all journal vouchers for leases by July 15, 2023, if recording entries manually.
- ✓ Reconcile FPMT and AFRS; make adjustments as needed.
- ✓ Complete Disclosure Forms.