



GASB STATEMENT No. 96

SBITAs

Effective Date

The requirements of this statement are effective for fiscal years beginning after June 15, 2022. For Montana, reporting periods begin the fiscal year starting July 1, 2022 and ending June 30, 2023. The requirements of this statement apply to ALL state and local governments.

Transition

Assets and liabilities resulting from Subscription-Based Information Technology Arrangements (SBITAs) should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented. Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalization outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of this Statement.

Definition of SBITAs

A SBITA is a contract that gives the government the right to use another party's information technology software. This can be the software alone or in combination with tangible capital assets. This contract will have a designated period of time as this Statement applies to subscription-based arrangements.

Entries for asset and corresponding subscription liability

A government should recognize a right-to-use subscription asset and a corresponding subscription liability. The subscription liability should be recognized at the commencement of the subscription term, which is when the asset is placed into service. The liability for the subscription should be initially measured at the present value of subscription payments expected to be made during the subscription term.

The subscription asset should be initially measured as the sum of the (1) initial subscription liability amount, (2) payments made to the SBITA vendor before commencement of the subscription term, and (3) capitalizable implementation costs, less any (4) incentives received from the SBITA vendor at the commencement of the subscription term. A government should recognize amortization of the subscription asset as an outflow of resources over the subscription term.

Future subscription payments should be discounted using the interest rate the SBITA vendor charges the government, which may be implicit, or the government's incremental borrowing rate if the interest rate is not readily determinable. A government should recognize amortization of the discount on the subscription liability as an outflow of resources in subsequent financial reporting periods.

Other Activities

These activities are associated with a SBITA but are activities other than making the subscription payments.

- Preliminary Project Stage, including activities such as evaluating alternatives, determining needed technology, and selecting a SBITA vendor. Outlays in this stage should be expensed as incurred.
- Initial Implementation Stage, including all ancillary charges necessary to place the subscription asset into service. Outlays in this stage generally should be capitalized as an addition to the subscription asset.
- Operation and Additional Implementation Stage, including activities such as subsequent implementation activities, maintenance, and other activities for a government's ongoing operations related to a SBITA. Outlays in this stage should be expensed as incurred unless they meet specific capitalization criteria.

Components

If a SBITA contract contains multiple components, a government should account for each component as a separate SBITA or non-subscription component and allocate the contract price to the different components.

If it is not practical to determine a best estimate for price allocation for some or all of the components in the contract, a government should account for those components as a single SBITA.

Thresholds

The State of Montana, State Financial Services Division, has set a threshold amount for state agencies of \$100,000. Each District should evaluate and determine a threshold to ensure a fair representation of the financial statements.

Accounting Guidance and Inventory Sheet:

<https://opi.mt.gov/Leadership/Finance-Grants/School-Finance/School-Finance-Accounting#10517311923-gasb>

Montana Department of Administration SBITA Guidance:

<https://sfsd.mt.gov/SAB/AgencyResources/Agencyindex>