

OFFICE OF THE CONTROLLER

GASB 96

Capital Asset Management

March 2025





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Overview of GASB 96



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GASB 96 Established

The Governmental Accounting Standards Board (GASB) issued **Statement No. 96, *Subscription-Based Information Technology Arrangements***, on June 5, 2020.

- This guidance is intended to reduce inconsistencies and improve the accounting and financial reporting of SBITAs.

Key Provisions

- Prior to the issuance of Statement No. 96, there was no accounting or financial reporting guidance specifically for government end users of SBITAs. Statement No. 96 establishes a definition for SBITAs and provides guidance on the accounting and financial reporting for such arrangements.

The statement is effective for fiscal years beginning after **June 15, 2022 (fiscal year 2023)**, and all reporting periods thereafter.

Key Terminology

SBITAs:
Subscription-
Based
Information
Technology
Arrangements



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Scope

Statement No. 96 defines a SBITA as 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.

To determine whether a contract conveys control of the right to use the underlying IT assets, a government should assess whether it has **both** of the following:

- Right to obtain the present service capacity from use of the underlying IT assets as specified in the contract
- Right to determine the nature and manner of use of the underlying IT assets as specified in the contract



Subscription Term

The subscription term is the *period during which a government has a noncancellable right to use the underlying IT assets* in addition to the following:

- Noncancelable period during which USC has a right to use the underlying asset.
- Any periods in which either USC or the Vendor have the option to extend the contract, if reasonably certain the option will be exercised by that party.
- Any periods in which either USC or the Vendor have the option to terminate the contract, if reasonably certain the option will not be exercised by that party.
- **Excluded:** Periods for which both the government and the SBITA vendor have an option to terminate the SBITA without permission from the other party (or if both parties have to agree to extend) are cancellable periods.*

***Note:** A fiscal funding or cancellation clause in a SBITA should affect the subscription term only if it is reasonably certain that the clause will be exercised (i.e.-severe state cutbacks). If it is reasonably certain that the contract will NOT be cancelled due to funding, the SBITA will be included.



Capital Asset Account Code Matrix



University Controller's Office
Capital Asset Account Code Matrix

Asset Category	Description	Thresholds	Account Code	Category Code	Restricted	Additional steps	Resources
Leases - GASB 96							
Subscription Based IT Arrangement (SBITA)	Software licenses or other arrangement that allows access to a 3rd party's software for a set amount of time based on a contracted subscription (IaaS and PaaS also fall under this umbrella) (GASB 96)	\$100,000 or greater -AND- for more than 12 months	56209	92005A	No	PO must be set up prior to purchase of an asset.	Purchasing Process
						Additional information regarding GASB 96 is available on the Capital Assets Website	Capital Assets Website
						Submit GASB 96 Form to Asset Management Team	GASB 96 Information Request Form
Software as a Service (SaaS)	Software licenses or other arrangement that allows access to a 3rd party's software for a set amount of time based on a contracted subscription (IaaS and PaaS also fall under this umbrella) that does not fall	Less than \$100,000 over life of lease -OR- lease for 12 months or less	52093	920030	No	Normal payment processing via Purchase Order, Purchasing Card, or Payment Request	n/a

The Capital Asset Account Code Matrix can be found [here](#).

Recognition and Measurement

At the commencement of the subscription term, a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability should be recognized.

The commencement of the subscription term begins when the subscription asset is placed into service. This occurs when:

- The initial implementation stage is completed—described below.
- The government has obtained control of the right to use the underlying IT assets.



Subscription Liability

The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term including the following:

- Fixed payments
- Variable payments that are fixed in substance, such as a Consumer Price Index increase over time.
- Payments for penalties for terminating the SBITA, if the subscription term reflects the government exercising an option to terminate or a fiscal funding or cancellation clause
- Any subscription contract incentives receivable from the vendor
- Any other payments to the vendor associated with the contract that are reasonably certain of being required based on an assessment of all relevant factors

Future subscription payments should be discounted using the interest rate the vendor charges the government, which may be implicit in the contract. If the interest rate is not readily determinable, the government's incremental borrowing rate should be used. The Asset Team will determine and apply the implicit interest rate for each contract if it is not included in the terms.



Subscription Asset

The subscription asset should be initially measured as follows:

- Initial subscription liability amount
- Plus, payments made to the vendor before commencement of the subscription term, such as set up or configuration costs
- Plus, implementation costs that can be capitalized
- Less any incentives received from the SBITA vendor at or before commencement of the subscription term

The subscription asset should be amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT asset. This is the accounting on the back end that the Asset Team will handle.



Exceptions

Statement No. 96 provides an exception for short-term SBITAs, which have a maximum possible term under the SBITA contract of 12 months or less. Subscription payments for short-term SBITAs should be recognized as an outflow of resources.

- The University will charge these amounts to account **52093**.

Perpetual software licenses are excluded from GASB 96 (think your Excel version 95 that has been hanging around forever).

- The University will charge these amounts to account **53031** if they are less than \$100,000.
- The University will charge these amounts to account **56208** if they are greater than or equal to \$100,000.



Stages

Activities associated with a SBITA should be grouped into one of three stages, detailed in the table below, and their costs should be accounted for accordingly. In classifying outlays into the appropriate stage, the nature of the activity should be the determining factor.

	Activities	Account
Preliminary Project Scope	<ul style="list-style-type: none">• Conceptual formulation• Evaluation of alternatives• Determination of needed technology• Selection of vendor	Expensed as incurred
Initial Implementation Stage	<ul style="list-style-type: none">• Configuration• Coding• Testing• Installation• All other ancillary charges necessary to place the asset into service	Generally capitalized as an addition to the subscription asset
Operations and Additional Implementation Stage	<ul style="list-style-type: none">• Subsequent implementation activities• Maintenance• Troubleshooting• Other activities associated with ongoing access to the asset	Expensed as incurred, unless activity meets specific capitalization criteria

Training costs should be expensed as incurred regardless of the stage in which they're incurred.



Components

If a contract contains both a subscription component and a non-subscription component



Then, They should generally be accounted for as separate contracts.

The contract price should generally be allocated to the different components based on the stand-alone price of each component included in the contract.

In the event that the software component is insignificant or less than 10% of the full contract, the full contract can be accounted for under the non-subscription component. This will be captured under GASB 87 for Leases.

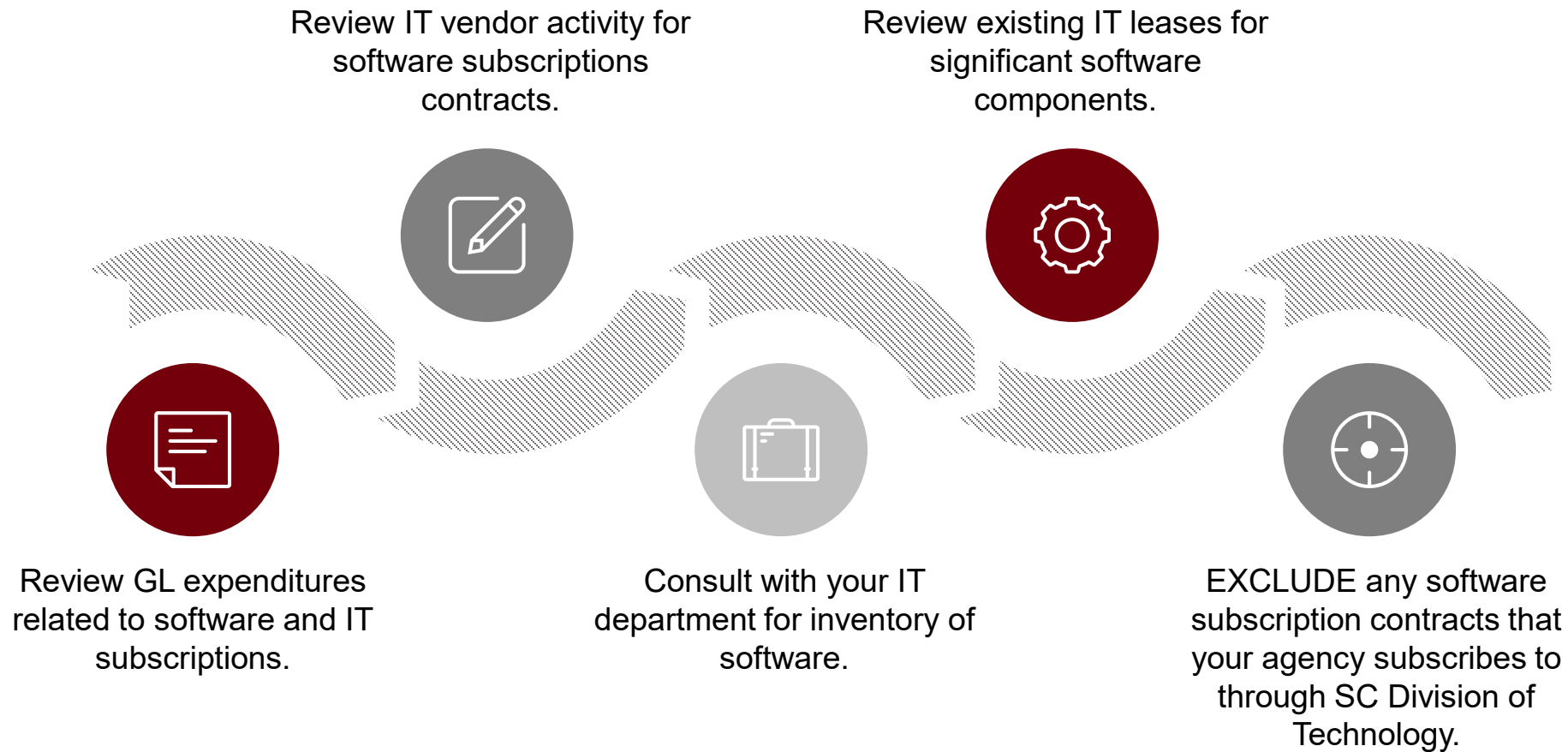


Steps in Contract Set-up



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Step 1: Identify Existing Software Subscription Contracts




A good identifier is a term on the contract or invoice. If we are not outright buying software with one-time payment, the purchase will need to be evaluated using the next steps and will either fall into a SBITA under 56209 or SaaS under 52093.

Note: Excluded software would be software subscriptions where DTO bills your agency. (Example: If your agency pays DTO for Adobe Pro licenses) This is not generally how USC functions, but it is possible for these contracts to exist.



Step 2: Qualifications & Questions

Determine if each software subscription contract identified in Step 1 qualifies as a SBITA.




Question 1- Will this software no longer work/will we no longer be able to log in once the contract term ends?

If your answer is “yes, we will not be able to access the software at the end of the contract”, it is likely that a SBITA exists. If you log into Formstack after the subscription term has ended, you will be asked to renew the contract for another year before continuing. This qualifies as a subscription, although usually does not meet our threshold.

Question 2- Does the contract provide the Agency the right to use the IT software?


If your answer is “yes”, it is likely that a SBITA exists



GASB 96 covers temporarily leased software, not internally created software. GASB 96 is very specific and focused on contracts that provide the right to determine the nature and manner of use of IT software. A good analogy would be an agency leasing a backhoe and putting an USC employee with the backhoe to tear up the parking lot for the three years (SBITA!!) vs. hiring a contractor who uses their backhoe to tear up your parking lot for three years (not a SBITA!!).




Step 2: Qualifications & Questions



Question 3- Is the maximum contractual term of our contract, including any contractually bound options to extend (by lessee or lessor) 12 months or less?*

- If your answer is “yes”, then this is short-term, and the University will charge these amounts to 52093.
- If your answer is “no”, it is likely that a SBITA exists.



Question 4- Does the contract cost greater than or equal to \$100,000.00*? This includes all years in the likely contractual term as well as costs included in the Initial Implementation Stage.

- If your answer is “yes”, it is likely that a SBITA exists.
- If your answer is “no”, then the university will charge these amounts to 52093.

*vendor level considerations

GASB 96 specifically covers intent to extend outside of contract. This should not be included in the life of the asset. Only the legally covered, contractually bound lease period is considered the life of the asset, regardless of whether USC will pursue renewing the lease at the end of the contract. If the contract does not cover what you would pay for the period, we do not have a basis for adding that period to the life of the asset.

Example: The contract is for an initial term of 3 years, with an option and laid out costs for 2 additional years. The life of the asset would be 5 years in this case. Even if USC intends to use the product for the next 10 years. Those additional years will be established in a new contract and a new asset.



Step 3: Determine the Length of the Subscription Term

The subscription term starts when a governmental entity has a non-cancellable right to use the underlying IT assets. The contract language for this period can also include an option for USC or the SBITA vendor to extend or terminate the contract, if it is reasonably certain that either of these options will be exercised.

If your contract includes language that either party may cancel the contract at the end of a renewal period with 90 days notice, the reasonably certain course of action will override here. Let's say that those 3 years end, and we have to notify the vendor of our intent to renew. If we are reasonably certain that we will do so, we will include those next years in our term.

Once a subscription term is set, your Agency should revisit the term if one or more of the following occurs:

- The potential option (extend/terminate) is exercised by either the entity or the SBITA vendor
- The potential option (extend/terminate) is not exercised by either the government or the SBITA vendor
- An extension or termination of the SBITA occurs



Step 4: Measurement of Subscription Liability

The future payments are discounted using the interest rate that the SBITA charges.

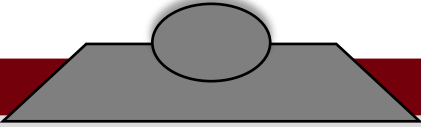
Re-measure the subscription liability if there is

- change to the subscription term
- change in the estimated amounts of payments
- change in the interest rate
- contingencies related to variable payments.

A change in the discount rate alone would not require a re-measurement.

***Please Note:** Variable payments that are not fixed in nature should not be capitalized.

For example, your contract states that we will pay \$50,000 a year for software over 3 years for 100 users' access. The contract allows for us to add and remove users. While we may receive additional charges if we add more users, even if we remove users, we are still required to pay the \$50,000 for the year. In this case, the \$50,000 is considered the fixed cost and should be included in the evaluation of the cost of the subscription over its life. Any additional charges will not be included in the asset.



The subscription liability is measured at the present value of the subscription payments expected to be made over the life of the contract.

The SBITA contract will include specific measures that should be used in determining the liability could include the following:

- ✓ Fixed payments
- ✓ Variable payments*
- ✓ Payments for penalties for termination
- ✓ Contract incentives
- ✓ Any other payments to the SBITA which are included in the contract
- ✓ Taxes



Step 5: Measurement of Subscription Asset

The SBITA asset should be measured at the total of the following:

- The amount of the initial measurement of the subscription liability (noted in Step 4 above)
- If applicable, any payments made to the SBITA vendor at the beginning of the subscription term
- The capitalized initial implementation costs (noted in Step 6 below)

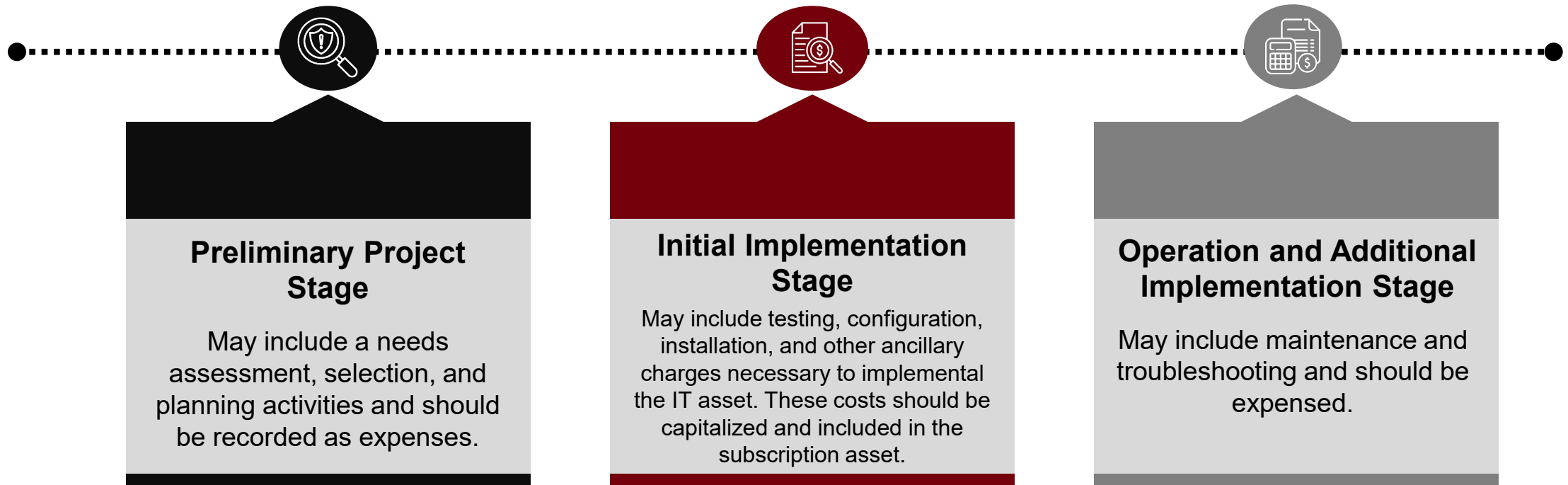
Any SBITA vendor incentives received should be subtracted from the total.

Our intake form asks for all of these types of payments required in the contract. Our team will also read the fully executed contract to make these determinations. This information is being provided so that you are aware that these costs should be included in your evaluation of whether the contract costs will go over the \$100,000 threshold.



Step 6: Capitalization of Other Outlays

Statement No. 96 provides for other outlays associated with the subscription to be capitalized as part of the total subscription asset. When implementing the IT asset, the activities can be divided into three stages:



Step 7: Amortization and Subsequent Subscription Payments



The subscription asset is amortized over the shorter of the subscription terms or the useful life of the underlying IT assets. The amortization of the asset is reported as amortization expense or an outflow of resources. Amortization should commence at the beginning of the subscription term.

Subsequent subscription payments should be accounted for as payments of principal and interest according to the subscription liability amortization table. Variable or other costs not included in the subscription liability should be expensed to Contingent Expenses (discussed in Step 4).



This is for your information only as our team will handle this accounting on the back end.



Example Scenario

Your department needs to establish cloud access to a third-party's software from an external vendor. The annual subscription fee for that software will cost \$50,000/year for 3 years. You have worked with procurement to establish a purchase order and have had the contract approved and fully executed.

This arrangement falls under GASB 96 guidelines.

To make payments, the department will utilize the purchase order and account code 56209.

Additionally, a new subscription submission form must be completed on the Controller's Office website, accompanied by the fully executed contract.



Contacts & Resources



UNIVERSITY OF
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Office of the Controller

Office of the Controller

General Accounting

Accounts Payable

Capital Assets

Chart of Accounts

General Ledger

Moving and Relocation

Travel

Treasury Management

General Accounting Staff Directory

Grants and Funds Management

Compliance and Tax Management

Payroll Department

Operational Management and Reporting

External Financial Reporting and Transparency

Resource and Training Toolbox

Contact Us

Capital Assets

The Capital Assets Team is responsible for tracking all assets retained by the University, this includes Capital Construction Projects and accounting for the University's Debt Service. The Governmental Accounting Standards Board (GASB) has determined that certain contractual obligations are to be recorded as an asset. These are agreements for property and equipment leases, IT subscriptions, and partnership arrangements with other public and private institutions.

Capital Asset Account Code Matrix Expand all +

Capital Assets +

GASB 87: Leases +

GASB 96: Subscription-Based IT Arrangements -

Subscription-Based IT Arrangements - GASB Statement No. 96 provides guidance for SBITAs for government end users. It applies to government agencies, including the University, that use information technology (IT) software (e.g., Office 365, Adobe, Zoom, etc.) as specified by contractual agreements. A SBITA is defined as a contract that conveys control of the right to use another party's IT software, alone or in combination with tangible capital assets, for a period of time. For these arrangements, the University is required to recognize (1) a subscription liability and (2) an intangible asset representing the right to use the subscription.

New Subscription Submission Expand all +

GASB 94: Public-Private & Public-Public Partnerships +

Capital Construction Projects +

Contact Capital Assets

For questions about any Capital Asset services, please contact us directly:

1600 Hampton Street, 6th floor
Columbia, SC 29208

Email: physinv@mailbox.sc.edu

GASB 96 Resources

Visit our Capital Asset webpage for additional information and resources for GASB 96 new subscription submissions.

https://sc.edu/about/offices_and_divisions/controller/general_accounting/capital_assets/index.php



GASB96 Resources

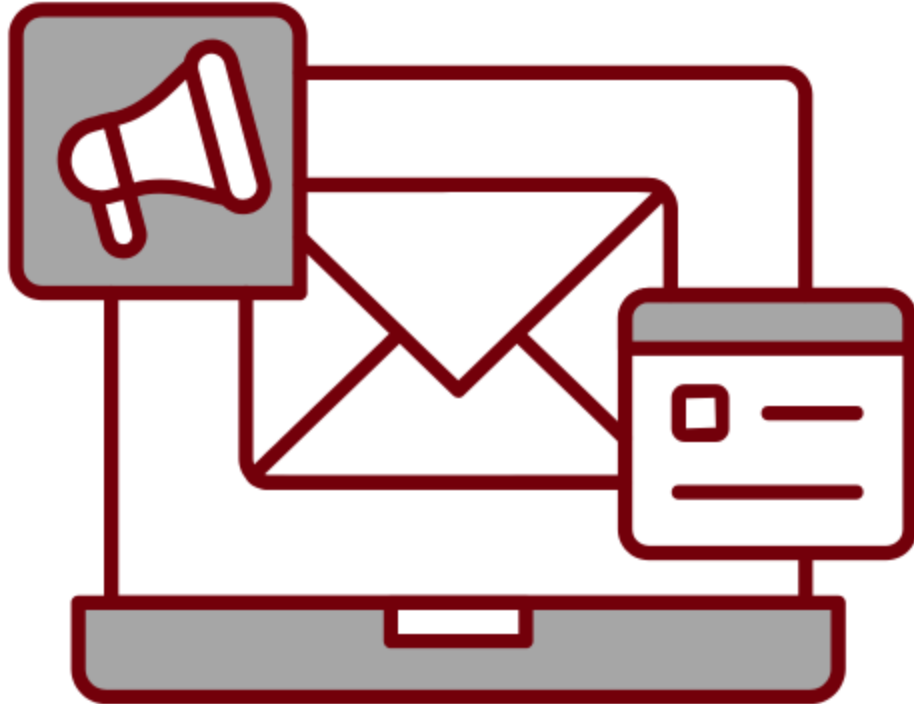
For further guidance on GASB 96 please refer to the resources below:

- [GASB 96 Exclusions \[pdf\]](#)
- [GASB 96 Criteria \[pdf\]](#)
- [GASB 96 Guidance \[pdf\]](#)
- [GASB 98 Information Request Jotform](#)

Any questions regarding GASB 96 Agreements can be directed to LEASE@sc.edu.



Contact Us



For specific questions, please visit our [website](#) to find the appropriate contact.



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Questions



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THANK YOU!

Office of the Controller



Alone, we can do so little; together,
we can do so much.



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