

STATE OF IOWA
DEPARTMENT OF ADMINISTRATIVE SERVICES

Subscription-Based Information Technology Arrangements (SBITA)

GASB Statement 96, *Subscription-Based Information Technology Arrangements*, (GASB 96) was effective **beginning July 1, 2022** (FY2023).

It has become common for governments to enter into subscription-based contracts to use vendor-provided information technology (IT). Subscription-based information technology arrangements (SBITA) provide governments with access to vendors' IT software and associated tangible capital assets for subscription payments without granting governments perpetual license or title to the IT software and associated tangible capital assets. Prior to the issuance of GASB 96, there was no accounting or financial reporting guidance specifically for SBITAs. Contracts meeting the definition of a SBITA, per GASB 96, result in the recognition of a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability.

A cloud computing arrangement is an example of a SBITA. Three common deployment models for cloud computing are Software as a Service (SaaS), Platform as a Service (PaaS), and Infrastructure as a Service (IaaS). All three deployment models involve a vendor providing a customer with the right to use the vendor's IT software in combination with tangible capital assets. (Implementation Guide 2023-1, Q&A 4.8)

A. SBITA Determination:

Step 1: Review the potential SBITA contract to determine if it meets the SBITA definition:

SBITA definition:

GASB 96 defines a Subscription-Based Information Technology Arrangement (SBITA) as a contract that **conveys control of the right to use** another party's (a SBITA vendor's) IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or **exchange-like** transaction. (GASB 96, Paragraph 6)

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: (a) the right to obtain the present service capacity from use of the underlying IT assets as specified in the contract, and (b) the right to determine the nature and manner of use of the underlying IT assets as specified in the contract. (GASB 96, Paragraph 7)

SBITAs include contracts that, although not explicitly identified as a SBITA, meet the definition of a SBITA. This definition excludes contracts that solely provide IT support services, but includes contracts that contain **both** a right-to-use IT asset component and an IT support services component. (GASB 96, Paragraph 8)

STATE OF IOWA
DEPARTMENT OF ADMINISTRATIVE SERVICES

The difference between exchange and **exchange-like** transactions is a matter of degree. In contrast to a “pure” exchange transaction, an exchange-like transaction is one in which the values exchanged, though related, may not be quite equal. A \$1 contract for the right to use a SBITA vendor’s IT software would not be considered an exchange-like transaction because each party does not receive or give up essentially equal value or not quite equal value. (GASB 96, footnote 1, Implementation Guide 2019-3, Q&A 4.1)

State of Iowa Examples:

- A contract with a software vendor for the right to use the vendor’s software (e.g. Workday, Microsoft), whether requiring modifications or not, for a period of time is considered a SBITA.
- A contract with an information technology vendor for the right to use the vendor’s software for research or other purposes (e.g. Lexis Nexis, Thomson Reuters, Standard & Poor’s), for a period of time, is considered a SBITA.
- A contract with a gaming system vendor to provide terminals and software to sell a product to customers, where the contract requires payment for the right to use the terminals and software to be entirely based on a percentage of sales (there are no fixed payments), for a period of time, is considered a SBITA. This is a SBITA with only variable payments. If the SBITA meets the recognition threshold, the SBITA requires disclosure in the footnotes; however, no subscription asset or subscription liability should be recognized.
- A contract with a magazine or newspaper providing access to their content is NOT a SBITA.

GASB 96 and this SBITA policy do not apply to:

- Contracts that convey control of the right to use another party’s combination of IT software and tangible capital assets that meets the definition of a lease in GASB 87, in which the software component is insignificant when compared to the cost of the underlying tangible capital asset (for example, a computer with operating software or a smart copier that is connected to an IT system). (GASB 96, Paragraph 4)
- Governments that provide the right to use their IT software and associated tangible capital assets to other entities through SBITAs. (GASB 96, Paragraph 4)
- Contracts that meet the definition of a public-private or public-public partnership in paragraph 5 of GASB 94. (GASB 96, Paragraph 4)
- Licensing arrangements that provide a perpetual license to governments to use a vendor’s computer software, which are subject to GASB 51. (GASB 96, Paragraph 4)
- Contracts that solely provide IT support services. (GASB 96, Paragraph 8)
- **Short-Term SBITAs.** (GASB 96, Paragraph 13)

STATE OF IOWA
DEPARTMENT OF ADMINISTRATIVE SERVICES

Step 2: Calculate the subscription term:

Subscription term:

GASB 96 defines subscription term as the period during which a government has a noncancelable right to use the underlying IT assets (referred to as the noncancelable period), plus the following periods, if applicable: (GASB 96, Paragraph 9)

- (a) Periods covered by a government's option to extend the SBITA, if it is reasonably certain that the government will exercise that option.
- (b) Periods covered by a government's option to terminate the SBITA, if it is reasonably certain that the government will not exercise that option.
- (c) Periods covered by a SBITA vendor's option to extend the SBITA, if it is reasonably certain that the SBITA vendor will exercise that option.
- (d) Periods covered by a SBITA vendor's option to terminate the SBITA, if it is reasonably certain that the SBITA vendor will not exercise that option.

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 cancelable periods and are excluded from the subscription term. For example, a rolling month-to-month SBITA, or a SBITA that continues into a holdover period until a new SBITA contract is entered into, would not be enforceable if both the government and the SBITA vendor have an option to terminate, and therefore, either could cancel the SBITA at any time. Provisions that allow for termination of a SBITA as a result of either payment of all sums due or default on subscription payments are not considered termination options.

A fiscal funding or cancellation clause allows a government to cancel a SBITA, typically on an annual basis, if the government does not appropriate funds for the subscription payments. This type of clause should affect the subscription term only if it is reasonably certain that the clause will be exercised. (GASB 96, Paragraph 10)

At the commencement of the subscription term, a government should assess all factors relevant to the likelihood that the government or SBITA vendor will exercise the options identified above to extend or terminate the SBITA, whether those factors are contract based, underlying IT asset based, market based, or government specific. The assessment will often require the consideration of a combination of interrelated factors. Examples of factors to consider include, but are not limited to, the following: (GASB 96, Paragraph 11)

- (a) A significant economic incentive, such as contractual terms and conditions for the optional periods that are favorable compared with current market rates.
- (b) A potential change in technological development that significantly affects the technology used by the underlying IT assets.
- (c) A potential significant change in the government's demand for the SBITA vendor's IT assets.
- (d) A significant economic disincentive, such as costs to terminate the SBITA and sign a new SBITA.
- (e) The history of exercising options to extend or terminate.

STATE OF IOWA
DEPARTMENT OF ADMINISTRATIVE SERVICES

- (f) The extent to which the asset underlying the IT assets in the SBITA are essential to the provision of services.

The subscription term should be reassessed only if one or more of the following occur: (GASB 96, Paragraph 12)

- (a) The government or SBITA vendor elects to exercise an option even though it was previously determined that it was reasonably certain that it would not be exercised.
- (b) The government or SBITA vendor elects not to exercise an option even though it was previously determined that it was reasonably certain that the option would be exercised.
- (c) An event specified in the SBITA contract requires an extension or termination of the SBITA takes place.

Step 3: Threshold for recognition of SBITA liabilities and right-to-use SBITA assets:

The State of Iowa will use a **threshold of \$500,000 for both subscription liabilities and subscription assets**; consistent with the threshold per the GASB 51 – Intangible Assets Policy.

If your department has a SBITA contract that does not meet the threshold based on the Subscription Liability calculation (Step 5), but the anticipated total variable payments not included in the Subscription Liability will cause the SBITA contract to meet the threshold, this SBITA policy applies to your contract. The elements of SBITA contracts (including the amount of actual variable payments) must be disclosed in the footnotes of the ACFR. (GASB 96, Paragraph 60)

- Example: Department A determines it has a contract that meets the definition of a SBITA. The contract requires the Department to pay the SBITA vendor based on a percentage of sales (a variable payment). The Department estimates the annual variable payments will be \$25 million. There is not a minimum required payment, nor are there any other required payments. Because the variable payments are not fixed in substance, the Department will not calculate and report a SBITA liability and SBITA asset. However, the Department is required to footnote disclose the SBITA, including the total of the actual variable payments.

Step 4: Review the SBITA contract to determine if it meets the short-term exception:

Short-term SBITAs:

GASB 96 defines a **short-term SBITA** as a SBITA that, at commencement of the subscription term, has a maximum possible term under the SBITA contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. 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 cancelable periods and should be excluded from the maximum possible term. For a SBITA that has cancelable periods, such as a rolling month-to-month SBITA or a year-to-year SBITA, the maximum possible term is the noncancelable period, including any notice periods. (GASB 96, paragraph 13)

STATE OF IOWA
DEPARTMENT OF ADMINISTRATIVE SERVICES

- Example 1: A department enters into a SBITA with a SBITA vendor for 16 months. The department can cancel the SBITA at any time after six months. The vendor does not have the option to cancel the SBITA. As defined above, cancelable periods are periods for which both the government and the SBITA vendor have an option to terminate the SBITA without permission from the other party. In this example, because only the department has the right to cancel, the maximum possible term of this SBITA is 16 months; and therefore, this is not a short-term SBITA. (Implementation Guide 2019-3, Q&A 4.19)
- Example 2: A department enters into a 12-month noncancelable SBITA in which the department has options to renew for 12 months at a time, up to 49 times. GASB 96 requires the maximum possible term of a short-term SBITA to be 12 months or less, including any options to extend. As a result, the presence of SBITA renewal options, regardless of their probability of being exercised, means that this SBITA does not meet the definition of a short-term SBITA. (Implementation Guide 2019-3, Q&A 4.17)
- Example 3: A department enters into a SBITA with a 6-month noncancelable period and an option to extend for another 12 months after the noncancelable period. The department is not reasonably certain that it will exercise the option to extend, and therefore, assesses the lease term as 6 months. Because GASB 96 states that a short-term SBITA has a maximum possible term of 12 months (or less), including any options to extend, regardless of probability of being exercised, this SBITA is not a short-term SBITA. Therefore, the department should report a subscription liability and a subscription asset; however, the SBITA term would only be 6 months. (Implementation Guide 2019-3, Q&A 4.18)

When a government has a SBITA contract that meets the definition of a short-term SBITA, it should not report a SBITA asset or a SBITA liability. Instead, the government should recognize short-term SBITA payments as outflows of resources (e.g. expenses) based on the payment provisions of the SBITA contract. A government should recognize an asset (e.g. prepaid expense) if subscription payments are made in advance. Further, a government should report a liability for subscription payments that are due on or before June 30th, when payment will not be made until after June 30th. (GASB 96, paragraph 14)

B. SBITA Liability and Right-to-Use SBITA Asset Calculations:

At the commencement of a subscription term for a contract meeting the definition of a SBITA, a subscription liability and an intangible right-to-use asset (a capital asset hereinafter referred to as a subscription asset) should be recognized, except for short-term SBITAs (Step 4). The commencement of the subscription term occurs when the **initial implementation stage** (see Step 9) is completed at which time the government has obtained control of the right to use the underlying IT assets and, therefore, the subscription asset is placed into service. (GASB 96, Paragraph 15)

STATE OF IOWA
DEPARTMENT OF ADMINISTRATIVE SERVICES

Step 5: Subscription liability recognition and measurement:

Subscription Liability

The liability should be measured at the present value of the subscription payments expected to be made during the subscription term (if required by a SBITA), including: (GASB 96, Paragraph 16)

- (a) Fixed payments.
- (b) **Variable payments** that depend on an index or a rate (such as the Consumer Price Index or a market interest rate), measured using the index or rate as of the commencement of the subscription term.
- (c) Variable payments that are fixed in substance.
- (d) Payments for penalties for terminating the SBITA, if the subscription term reflects the government exercising (1) an option to terminate the SBITA or (2) a fiscal funding or cancellation clause.
- (e) Any subscription contract incentives receivable from the SBITA vendor (see Section C. Other Elements).
- (f) Any other payments to the SBITA vendor associated with the SBITA contract that are reasonably certain of being required based on an assessment of all relevant factors.

Variable payments other than those that depend on an index or a rate, such as variable payments based on future performance of a government, usage of the underlying IT assets, or number of user seats, should not be included in the measurement of the subscription liability. Instead, those variable payments should be recognized as expenses in the period in which the obligation for those payments is incurred. However, any component of those variable payments that is fixed in substance should be included in the measurement of the subscription liability. (GASB 96, Paragraph 17)

The future subscription payments should be discounted using the interest rate the SBITA vendor charges the government, which may be the interest rate implicit in the SBITA. If the interest rate cannot be readily determined by the government, the government's estimated incremental borrowing rate (an estimate of the interest rate that would be charged for borrowing the subscription payment amounts during the subscription term) should be used. (GASB 96, Paragraph 18)

- When departments are unable to determine an interest rate from a SBITA contract and do not have their own estimated incremental borrowing rate, they should use the estimated incremental borrowing rate calculated by the GAAP Team. The department should use the same estimated incremental borrowing rate for the duration of a SBITA's term. The rate calculated annually by the GAAP Team will be applicable for all SBITAs entered into in a fiscal year.

In subsequent years, calculate the amortization of the discount on the subscription liability and report that amount as interest expense for the period. Payments should first be allocated to accrued interest payable and then to the subscription liability. (GASB 96, Paragraph 19)

STATE OF IOWA
DEPARTMENT OF ADMINISTRATIVE SERVICES

Step 6: Remeasurement of subscription liability:

The government should remeasure the subscription liability in subsequent fiscal years if one or more of the following changes have occurred on or before June 30th of the fiscal year and the changes individually or in the aggregate are expected to significantly affect the amount of the subscription liability since the previous measurement: (GASB 96, Paragraph 20)

- (a) There is a change in the subscription term.
- (b) There is a change in the estimated amounts for subscription payments already included in the measurement of the subscription liability, except that a subscription liability is not required to be remeasured solely for a change in an index or rate used to determine variable payments. (GASB 96, Paragraph 21)
- (c) There is a change in the interest rate the SBITA vendor charges the government, if used as the initial discount rate.
- (d) A contingency, upon which some or all of the variable payments that will be made over the remainder of the subscription term are based, is resolved such that those payments now meet the criteria for measuring the subscription liability as described above. For example, an event occurs that causes variable payments that were contingent on the performance or use of underlying IT assets to become fixed for the remainder of the subscription term.

If a subscription liability is remeasured for any of the changes described in Step 6, the liability also should be adjusted for any change in an index or rate used to determine variable payments if that change in the index or rate is expected to significantly affect the amount of the liability since the previous measurement. A subscription liability is not required to be remeasured solely for a change in an index or rate used to determine variable payments. (GASB 96, paragraph 21)

The government should update the discount rate as part of the remeasurement if there is a change in the subscription term that is expected to significantly affect the amount of the subscription liability. (GASB 96, paragraph 22)

A subscription liability should not be remeasured, nor should the discount rate be reassessed, solely for a change in the government's estimated incremental borrowing rate. (GASB 96, paragraph 23)

Step 7: Right-to-use subscription asset classifications:

A government is required to disclose the amount of subscription assets (and the related amortization) separately from other capital assets. (GASB 96, paragraph 60)

Unlike lease assets which require being disclosed by major classes of underlying assets, subscription assets will be grouped together for disclosure purposes and reported as:

- Subscriptions

STATE OF IOWA
DEPARTMENT OF ADMINISTRATIVE SERVICES

Step 8: Right-to-use subscription asset measurement and amortization:

Measurement: A government should initially measure the subscription asset as the sum of the following: (GASB 96, paragraph 25)

- (a) The amount of the initial measurement of the subscription liability (see Step 5)
- (b) Payments associated with the SBITA contract made to the SBITA vendor at the commencement of the subscription term, if applicable.
- (c) **Capitalizable implementation costs** (see Step 9)
- (d) **Prepayments**
- (e) Less any SBITA vendor incentives received from the SBITA vendor at the commencement of the subscription term. (see section C. Other Elements)

Prepayments: Payments made to the SBITA vendor before the commencement of the subscription term associated with the SBITA contract, as well as payments made for the capitalizable initial implementation costs before the commencement of the subscription term, should be reported as a **prepayment** (a prepaid expense). The prepayment should be reclassified as an addition to the initial measurement of the subscription asset at the commencement of the subscription term. (GASB 96, paragraph 26)

Amortization: A 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 assets. The amortization of the subscription asset should be reported as amortization expense. (GASB 96, paragraph 27)

Remeasurement: A subscription asset generally should be adjusted by the same amount as the corresponding subscription liability when that liability is remeasured based on Step 6. (GASB 96, paragraph 28)

Step 9: Accounting for outlays incurred other than subscription payments, including implementation costs

Other than subscription payments for the right to use the underlying IT assets, outlays incurred **prior to completing all of the following should be expensed** as incurred: (GASB 96, paragraph 32)

- (a) Determination of the specific objective of the project and the nature of the service capacity that is expected to be provided by the subscription asset.
- (b) Demonstration of the technical or technological feasibility such that the subscription asset will provide its expected service capacity.
- (c) Demonstration of the current intention, ability, and presence of effort to enter into a SBITA contract.

The requirements in the previous paragraph are considered to be completed only when **both** of the following occur: (GASB 96, paragraph 33)

- (a) The activities noted in the **preliminary project stage** are completed.
- (b) Management implicitly or explicitly authorizes and commits to funding the SBITA, at least for the current fiscal year in the case of a multiyear project.

STATE OF IOWA
DEPARTMENT OF ADMINISTRATIVE SERVICES

There are some outlays incurred, that are not subscription payments associated with a SBITA, that are considered **capitalizable implementation costs**. Activities associated with a SBITA (other than a government making subscription payments to the SBITA vendor for the right to use the underlying IT assets) should be grouped into the following stages: (GASB 96, paragraph 29)

- (a) **Preliminary Project Stage** – Activities in this stage include the conceptual formulation and evaluation of alternatives, the determination of the existence of needed technology, and the final selection of alternatives for the SBITA. These costs should not be capitalized, they should be expensed as incurred. (GASB 96, paragraph 34)
- (b) **Initial Implementation Stage** – Activities in this stage include ancillary charges related to designing the chosen path, such as configuration, coding, testing, and installation associated with the government’s access to the underlying IT assets. Other ancillary charges necessary to place the subscription asset into service also should be included. The initial implementation stage for the SBITA is completed when the subscription asset is placed into service. These costs should be capitalized as part of the subscription asset, except if the contract is a short-term SBITA, then the costs should be expensed as incurred. (GASB 96, paragraph 35 & 36)
- (c) **Operation and Additional Implementation Stage** – Activities in this stage include maintenance, troubleshooting, and other activities associated with the government’s ongoing access to the underlying IT assets. Activities in this stage may also include additional implementation activities, such as those related to additional **modules** that occur after the subscription asset is placed in service. These costs should not be capitalized, they should be expensed as incurred, except for costs associated with activities that meet one of the following capitalization criteria: (GASB 96, paragraph 37 & 40)
 - 1) An increase in the functionality of the subscription asset. (The government can perform tasks that it could not previously perform with the subscription asset.)
 - 2) An increase in the efficiency of the subscription asset. (There is an increase in the level of service provided by the subscription asset without the ability to perform additional tasks.)

Data Conversion Costs: Should be considered activity of the initial implementation stage only to the extent that it is determined to be necessary to place the subscription asset into service – that is, in condition for use. Otherwise, data conversion costs should be considered an activity of the operation and additional implementation stage. For example, after the subscription asset is placed into service, a government may incur outlays associated with converting its legacy data on an old server to the vendor’s cloud storage. Generally, those outlays should be expensed as incurred. (GASB 96, paragraph 31 & 40)

Training Costs: Should **NEVER** be capitalized, regardless of the stage which they are incurred. (GASB 96, paragraph 39)

Modules: If a SBITA has more than one **module** and the modules are implemented at different times, the initial implementation stage for the SBITA is completed, and, therefore, the subscription asset is placed into service when the initial implementation is completed for the first independently functional module or for the first set of interdependent modules, regardless of whether all remaining modules have been completely implemented. (GASB 96, paragraph 30)

STATE OF IOWA
DEPARTMENT OF ADMINISTRATIVE SERVICES

SBITA implementation activities may overlap or occur in multiple cycles. Regardless of whether a SBITA is composed of one module, more than one module implemented at the same time, or more than one module implemented at different times, the recognition guidance for outlays other than subscription payments should be applied based on the nature and timing of the activity. Although both factors should be considered, the nature of the activity should be the determining (or more influential) factor. (GASB 96, paragraph 38)

Step 10: Current financial resources measurement focus:

If a SBITA is expected to be paid from a governmental fund (general fund, special revenue fund, capital projects fund or permanent fund), the SBITA should be accounted for consistent with governmental fund accounting principles. (GASB 96, paragraph 58)

An expenditure and other financing source should be reported in the period the subscription asset is initially recognized. The expenditure and other financing source should be measured as discussed in the subscription liability section above (Step 5). Subsequent governmental fund subscription payments should be accounted for consistent with principles for debt service payments on long-term debt. (GASB 96, paragraph 59)

C. Other Elements:

Impairment: The presence of impairment indicators (defined in GASB 42, paragraph 9, as amended) with respect to the underlying IT assets may result in a change in the manner or duration of use of the subscription asset. Such a change in the use of the asset may indicate that the service utility of the subscription asset is impaired. The length of time during which the government cannot use the underlying IT assets, or is limited to using them in a different manner, should be compared to their previously expected manner and duration of use to determine whether there is a significant decline in the service utility of the subscription asset. If a subscription asset is impaired, the amount reported for the subscription asset should be reduced first for any change in the corresponding subscription liability. Any remaining amount should be recognized as an impairment. (GASB 96, paragraph 41)

Incentives Provided by a SBITA Vendor: Incentives provided by a SBITA vendor are defined as (a) payments made to, or on behalf of, a government for which the government has a right of offset with its obligation to the SBITA vendor, or (b) other concessions granted to the government. A SBITA vendor incentive is equivalent to a rebate or discount and includes an agreement to pay a government's preexisting subscription obligations to a third party, other reimbursements of end user costs, free subscription periods, and reductions of interest or principal charged by the SBITA vendor. (GASB 96, paragraph 42)

SBITA vendor incentives reduce the amount that a government is required to pay for a SBITA. SBITA vendor incentives that provide payments to, or on behalf of, a government at or before the commencement of a subscription term should be included in the initial measurement by

STATE OF IOWA
DEPARTMENT OF ADMINISTRATIVE SERVICES

directly reducing the amount of the subscription asset (see Step 8). SBITA vendor incentives that provide payments after the commencement of the subscription term should be factored into the present value of the subscription payments for the periods in which the incentive payments will be provided, when initially measuring the subscription liability (see Step 5). (GASB 96, paragraph 43)

Contracts with Multiple Components: A government may enter into contracts that contain multiple components, such as (a) a contract that contains both a subscription component (the right to use the underlying IT assets) and a nonsubscription component or (b) a contract that contains multiple underlying IT asset components. Examples of nonsubscription components include a separate perpetual licensing arrangement and maintenance services for the IT assets. (GASB 96, paragraph 44)

If a government enters into a contract that contains both a subscription component and a nonsubscription component, the government should account for the subscription and nonsubscription components as separate contracts. (GASB 96, paragraph 45)

- **Exception:** If a contract does not include prices for individual components, or if any of those prices appear unreasonable, use professional judgment to determine the best estimate for allocating the contract price to those components, maximizing the use of observable information.
- If it is not practicable to determine a best estimate for price allocation for some or all components in the contract, a government should account for those components as a single SBITA. (GASB 96, paragraph 48)

If a SBITA involves multiple underlying IT asset components that have different subscription terms, account for each underlying component as a separate subscription component. (GASB 96, paragraph 46)

Contract Combinations: Contracts that are entered into at or near the same time with the same SBITA vendor should be considered part of the same contract if either of the following criteria are met: (GASB 96, paragraph 50)

- (a) The contracts are negotiated as a package with a single objective.
- (b) The amount of consideration to be paid in one contract depends on the price or performance of the other contract.

If multiple contracts are determined to be part of the same contract, the contract should be evaluated in accordance with the Contracts with Multiple Components section above. (GASB 96, paragraph 51)

SBITA Modifications: A SBITA contract may be amended while the contract is in effect. Examples of amendments include changing the contract price, lengthening or shortening the subscription term, adding or removing underlying IT assets, and changing the index or rate upon

STATE OF IOWA
DEPARTMENT OF ADMINISTRATIVE SERVICES

which variable payments depend. An amendment should be considered a SBITA modification unless the government's right to use the underlying IT assets decreases, in which case the amendment should be considered a partial or full SBITA termination. (GASB 96, paragraph 52)

A government should account for an amendment that results in a modification to a SBITA as a separate SBITA (that is, separate from the most recent SBITA contract before the modification) if both of the following conditions are met: (GASB 96, paragraph 54)

- (a) The SBITA modification gives the government an additional subscription asset by adding access to more underlying IT assets that were not included in the original SBITA contract.
- (b) The increase in subscription payments for the additional subscription asset does not appear to be unreasonable based on (1) the terms of the amended SBITA contract and (2) professional judgment.

Unless a modification is reported as a separate SBITA as provided in the paragraph above, a government should account for a SBITA modification by remeasuring the subscription liability. The subscription asset should be adjusted by the difference between the remeasured liability and the liability immediately before the SBITA modification. (GASB 96, paragraph 55)

SBITA Terminations: A government should account for an amendment resulting in a decrease in the government's right to use the underlying IT assets (for example, the subscription term is shortened or the underlying IT assets are reduced) as a partial or full SBITA termination. (GASB 96, paragraph 56)

A government generally should account for the partial or full SBITA termination by reducing the carrying values of the subscription assets and subscription liability, and recognizing a gain or loss for the difference. (GASB 96, paragraph 57)