



From the Technical Resources Committee:

GASB ISSUES GUIDANCE ON CLOUD COMPUTING AND SIMILAR SUBSCRIPTION-BASED IT ARRANGEMENTS

The Governmental Accounting Standards Board (GASB) issued new accounting and financial reporting guidance for subscription-based information technology arrangements (SBITAs), which have become increasingly common among state and local governments in recent years.

Statement No. 96, Subscription-Based Information Technology Arrangements, is based on the standards established in *Statement No. 87, Leases*. The GASB in *Statement 96*:

- Defines a SBITA as a contract that conveys control of the right to use 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.
- Requires governments with SBITAs to recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability (with an exception for short-term SBITAs—those with a maximum possible term of 12 months).
- Provides guidance related to outlays other than subscription payments, including implementation costs, and requirements for note disclosures related to a SBITA.

Although existing GASB literature addresses computer software that is internally developed or commercially purchased through perpetual licensing agreements, stakeholders have raised questions regarding cloud computing and other subscription-based forms of software applications and data storage. The new guidance should remedy existing inconsistencies in accounting and financial reporting for SBITAs.

The Statement is effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Early application is encouraged. In order to give state and local governments and other stakeholders additional time to deal with circumstances arising from the COVID-19 pandemic, this date is one year later than what the Board proposed in the Exposure Draft.

Statement 96 is available on the GASB website, www.gasb.org

