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GASB Proposes Guidance on Cloud Computing and Similar Subscription-Based IT Arrangements.

Norwalk, CT, May 21, 2019 — The Governmental Accounting Standards Board (GASB) has proposed new guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs), which have become increasingly prevalent among state and local governments over the past several years.

The [Exposure Draft](#), *Subscription-Based Information Technology Arrangements*, effectively would apply many of the provisions of Statement No. 87, Leases, to subscription-based transactions. The Exposure Draft proposes:

- Defining a SBITA as a contract that conveys control of the right to use a SBITA vendor's hardware, software, or both, including IT infrastructure, for a period of time in an exchange or exchange-like transaction
- Governments with SBITAs would recognize a right-to-use subscription asset and a corresponding subscription liability (with an exception for short-term SBITAs with a maximum term of 12 months). In addition, the Exposure Draft includes proposals related to outlays other than subscription payments, including implementation costs and note disclosures related to a SBITA.

Although existing GASB literature addresses on-premise computer software—either internally developed or acquired through perpetual licensing agreements—stakeholders have raised questions regarding the proper accounting for and reporting of cloud computing and other remote-access forms of software applications and data storage, which are subscription based. The lack of guidance caused inconsistency in accounting and financial reporting for SBITAs.

The proposed Statement would be effective for fiscal years beginning after June 15, 2021, and all reporting periods thereafter. Early application would be encouraged.

The Exposure Draft is available on the GASB website, www.gasb.org. The GASB invites stakeholders to review the proposal and provide comments by August 23, 2019.