

## Subscription Based IT Arrangement (SBITA) Implementation Costs – What should be Capitalized?

Effective July 1, 2022

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

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

STAGES	ACTIVITIES	ACCOUNTING
<b>Preliminary Project Stage</b>	<ul style="list-style-type: none"> <li>• Conceptual formulation</li> <li>• Evaluation of alternatives</li> <li>• Determination of needed technology</li> <li>• Selection of SBITA vendor</li> </ul>	Expense as incurred
<i>Stage is complete when the above expenses are complete and/or management authorizes and commits to funding the contract (at least for the current fiscal year)</i>		
<b>Initial Implementation Stage</b>	<ul style="list-style-type: none"> <li>• Configuration</li> <li>• Coding</li> <li>• Testing</li> <li>• Installation</li> <li>• Data conversion only if the asset cannot be used without the data conversion</li> <li>• Any ancillary charges necessary to place the subscription asset into service</li> </ul>	Capitalize
<i>Stage is complete when asset is placed into service</i>		
<b>Operation and Additional Implementation Stage</b>	<ul style="list-style-type: none"> <li>• Maintenance</li> <li>• Troubleshooting</li> <li>• Data conversion (not necessary to place the subscription asset into service)</li> <li>• Subsequent implementation activities</li> </ul>	Expense as incurred
	Modifications that result in either: <ul style="list-style-type: none"> <li>• Increased functionality of the asset that provides the ability to perform additional tasks or</li> <li>• Increased efficiency of the asset or level of service provided by the asset</li> </ul>	Capitalize as an addition to existing asset

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 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. Costs to implement additional modules that meet the modification criteria above should also be capitalized. Maintenance costs on modules already placed into service should be recorded as an expenditure/expense.

Reference: [GASB Statement No. 96, Subscription-Based Information Technology Arrangements](#)