

GASB 96 SUBSCRIPTION TERM CALCULATION

Instructions: Use this calculation to determine the subscription term, including any options to extend or terminate. Each option must be evaluated to determine if the term will be extended or terminated beyond the noncancelable period (minimum contract length).

CAUTION: When determining if the contract is a **SHORT-TERM SBITA**, remember the **MAXIMUM** possible term is no more than 12 months including all options **REGARDLESS** of the probability of being exercised. (i.e., assume options to extend **WILL** be exercised and options to terminate will **NOT** be exercised).

If a SBITA that has cancelable periods, which **both** parties have an option to terminate the SBITA without permission from the other party (or if both parties must agree to extend), the maximum possible term is the noncancelable period, including any notice periods. If this results in a noncancelable period of longer than 12 months, use this calculator to determine the subscription term; otherwise, short-term SBITA.

WHAT TO USE	OPERATION	CAUTION	CAUTION
Noncancelable Period	Plus (+)	For each option to the left, the outcome must be reasonably certain (more than probable) (>75%)	Periods where BOTH government and SBITA vendor have option to terminate or extend without permission of other party are excluded from subscription term
Periods covered by a government's option to extend.	Plus (+)		
Periods covered by a government's option to terminate but choosing not to.	Plus (+)		
Periods covered by the SBITA vendor's option to extend.	Plus (+)		
Periods covered by the SBITA vendor's option to terminate but choosing not to.	Plus (+)		
Subscription Term	Equals (=)		

Updated from [GASB 96 Omnibus 2022](#):

A SBITA previously determined to be short term but modified to extend the initial maximum possible term under the SBITA contract should be reassessed from the inception of the SBITA. If the reassessed maximum possible term exceeds 12 months, the SBITA is no longer a short-term SIBTA. For a SBITA that is reclassified from a short-term SBITA, the SBITA term should be assessed at the beginning date of the modification when measuring the subscription liability.

A termination option must be unconditional. It is **NOT** an option to terminate if the right to terminate only under certain circumstances (non-appropriation) or upon occurrence of certain events (violation by counterparty). For example, the right to terminate a SBITA because of default of payment or the action or inaction of the other party should not be considered an option to terminate.

Governmental GAAP Guide

The concept of reasonably certain was considered by the GASB as part of the deliberations for what became the new leasing provisions. The Board could have used probable in a similar vein to contingencies. Many practitioners consider it probable to have a 75% certainty. The GASB believes reasonably certain is a higher threshold than probable and is analogous to reasonably assured. Professional judgment is likely needed to determine a threshold for this amount of certainty.

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