

Subscription Based IT Agreements – Banner Account Code Changes

Over the past several years, software vendors have shifted from a traditional purchase model to a subscription-based billing model, with this transition becoming more prevalent in recent years. In the traditional purchase model, a perpetual license was purchased, meaning for one up front charge your department had access to the software forever. In the subscription-based model, your department pays for the right to use the software for a defined time period (one year, three years, etc.). For multi-year subscription agreements, generally your department is charged a set fee for each year of the agreement.

To better capture financial data and to provide more accurate account title descriptions, the below account titles will be changed.

<u>Account #</u>	<u>Previous Account Title</u>	<u>New Account Title</u>
712104	Software LT \$100,000	Software < \$100,000
712105	Software License/Renew LT \$100,000	Software Subscription <\$100,000
791104	Software over \$100,000	Software > \$100,000
791105	Software/License over \$100,000	Software Subscription >\$100,000

What should I charge to these software accounts?

712104 Software <\$100,000 - Although subscription agreements are becoming more prevalent, certain IT vendors continue to sell perpetual/forever software licenses. This account should be used when purchasing a perpetual license less than \$100,000.

712105 Software Subscription <\$100,000 - This account should be used when purchasing a software subscription where the ***total spend*** over the subscription period is less than \$100,000. Total spend is the amount your department expects to spend in total over the subscription term. For example, if your department purchases ABC software for 3 years at \$25,000 per year, use this account code as total spend would be \$75,000.

791104 Software > \$100,000 - Although subscription agreements are becoming more prevalent, certain IT vendors continue to sell perpetual/forever software licenses. This account should be used when purchasing a perpetual license greater than \$100,000.

791105 Software Subscription >\$100,000 - This account should be used when purchasing a software subscription where the ***total spend*** over the subscription period is greater than \$100,000. Total spend is the amount your department expects to spend in total over the life of the subscription term. For example, if your department purchases ABC software for 3 years at \$50,000 per year, use this account code as total spend would be \$150,000.

What about software support / maintenance?

748025 Software Support/Maintenance - When a perpetual/forever software license is purchased using accounts 712104 or 791104, the vendor will often offer ongoing support/maintenance for the software on an annual or subscription basis. Software maintenance costs refer to the expenses incurred in the process of maintaining and updating software after its initial development and deployment. These costs

are necessary to ensure that the software remains effective, secure, and up-to-date throughout its operational life.

If the expenditure is solely or substantially all for software support/maintenance on a perpetual/forever license, charge to 748025 Software Support/Maintenance.

When software is purchased on a subscription basis using account 712105 or 791105, a portion of the invoice may be for support/maintenance. Frequently the invoice is not itemized so it cannot be determined what portion of the charge is software, support, or maintenance. In this instance post the entire charge to either 712105 or 791105 as it assumed that the bulk of the charge is for software and not maintenance/support.

781319 Subscriptions

Software subscriptions should be charged to the accounts listed previously. There is also account 781319 Subscriptions. This account code should be used when subscribing to an information source (database access, libraries, etc.). Even though you may use an electronic portal to access the data, this type of agreement is not considered software.

Software subscriptions are not considered professional/consulting fees.

Questions?

If you have any questions, please contact Charles Poole at cbpoole@ua.edu.