NOTE 7. INCOME TAXES *(Continued)*

Our accounting for deferred tax consequences represents our best estimate of the likely future tax consequences of events that have been recognized on our consolidated financial statements or tax returns and their future probability. In assessing the need for a valuation allowance, we consider both positive and negative evidence related to the likelihood of realization of the deferred tax assets. If, based on the weight of available evidence, it is more likely than not that the deferred tax assets will not be realized, we record a valuation allowance.

Components of Income Taxes

Components of income taxes excluding cumulative effects of changes in accounting principles, other comprehensive income/(loss), and equity in net results of affiliated companies accounted for after-tax for the years ended December 31 were as follows:

	2020	2021	2022
Income/(Loss) before income taxes (in millions)			
U.S.	$ (231)	$ 10,043	$ (6,548)
Non-U.S.	(885)	7,737	3,532
Total	$ (1,116)	$ 17,780	$ (3,016)
Provision for/(Benefit from) income taxes (in millions)			
Current			
Federal	$ (23)	$ 102	$ 68
Non-U.S.	554	598	781
State and local	(45)	26	123
Total current	486	726	972
Deferred			
Federal	(523)	2,290	(2,292)
Non-U.S.	168	(3,254)	688
State and local	29	108	(232)
Total deferred	(326)	(856)	(1,836)
Total	$ 160	$ (130)	$ (864)
Reconciliation of effective tax rate			
U.S. statutory tax rate	21.0 %	21.0 %	21.0 %
Non-U.S. tax rate differential	(2.6)	1.3	(8.7)
State and local income taxes	8.9	0.5	2.3
General business credits	35.1	(2.3)	13.0
Nontaxable foreign currency gains and losses	(1.1)	—	(4.2)
Dispositions and restructurings (a)	(0.4)	(18.8)	(7.0)
U.S. tax on non-U.S. earnings	28.1	2.4	2.8
Prior year settlements and claims	8.3	(0.3)	1.5
Tax incentives	(6.0)	(0.6)	2.0
Enacted change in tax laws	1.5	1.1	(2.0)
Valuation allowances	(108.8)	(4.7)	6.2
Other	1.7	(0.3)	1.7
Effective tax rate	(14.3) %	(0.7) %	28.6 %

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(a) Includes a benefit of $ 2.9 billion to recognize deferred tax assets resulting from changes in our global tax structure in 2021.

During 2020, based on all available evidence, we established U.S. valuation allowances of $ 1.3 billion, primarily against tax credits as it was deemed more likely than not that these deferred tax assets would not be realized. In assessing the realizability of deferred tax assets, we consider the trade-offs between cash preservation and cash outlays to preserve tax credits. In 2021, we reversed $ 918 million of the previously established U.S. valuation allowances. The reversal primarily reflected a change in our intent to pursue planning actions involving cash outlays to preserve tax credits. During 2022, we reversed an additional $ 405 million of U.S. valuation allowances, primarily as a result of planning actions.

At December 31, 2022, $ 14.8 billion of non-U.S. earnings are considered indefinitely reinvested in operations outside the United States, for which deferred taxes have not been provided. Quantification of the deferred tax liability, if any, associated with indefinitely reinvested basis differences is not practicable.