U.S. and foreign components of income (loss) before income taxes were as follows:

(In millions)

Year Ended June 30,	**2017**	**2016**	**2015**
U.S.	**$ 453**	$ (325)	$ 7,363
Foreign	**22,696**	20,076	11,144
Income before income taxes	**$ 23,149**	$ 19,751	$ 18,507

In fiscal year 2017, income before income taxes included the net impact of U.S. and foreign revenue deferrals related to the sales of Windows 10 of $6.4 billion and $317 million, respectively. In fiscal year 2016, income before income taxes included the net impact of U.S. and foreign revenue deferrals related to the sales of Windows 10 of $6.0 billion and $588 million, respectively. In fiscal year 2015, income before income taxes included the net impact of U.S. and foreign impairment, integration, and restructuring expenses relating to our phone business of $1.1 billion and $8.9 billion, respectively.

The items accounting for the difference between income taxes computed at the U.S. federal statutory rate and our effective rate were as follows:

Year Ended June 30,	**2017**	**2016**	**2015**
Federal statutory rate	**35.0%**	35.0%	35.0%
Effect of:			
Foreign earnings taxed at lower rates	**(15.7)%**	(19.4)%	(20.9)%
Phone business losses	**(7.3)%**	1.3%	19.1%
Excess tax benefits relating to stock-based compensation	**(2.7)%**	(2.0)%	0%
Domestic production activities deduction	**(1.4)%**	(0.6)%	(2.4)%
Interest, net	**1.8%**	1.2%	1.5%
Other reconciling items, net	**(1.3)%**	(0.5)%	1.8%
Effective rate	**8.4%**	15.0%	34.1%

The reduction from the federal statutory rate is primarily due to earnings taxed at lower rates in foreign jurisdictions resulting from producing and distributing our products and services through our foreign regional operations centers in Ireland, Singapore, and Puerto Rico. Our foreign regional operating centers, which are taxed at rates lower than the U.S. rate, generated 64%, 69%, and 73% of our foreign income before tax in fiscal years 2017, 2016, and 2015, respectively. Additionally, our effective tax rate in fiscal year 2017 reflects the realization of tax benefits attributable to previous phone business losses. In general, other reconciling items consist primarily of U.S. state income taxes, permanent items, and credits. In fiscal years 2017, 2016, and 2015, there were no individually significant other reconciling items.

The decrease in our effective tax rate for fiscal year 2017 compared to fiscal year 2016 was primarily due to the realization of tax benefits attributable to previous phone business losses, offset in part by changes in the mix of our income before income taxes between the U.S. and foreign countries. The fiscal year 2016 effective tax rate included the impact of nondeductible phone charges and valuation allowances.