A reconciliation of the provision for income taxes, with the amount computed by applying the statutory federal income tax rate (35% in 2017, 2016 and 2015) to income before provision for income taxes for 2017, 2016 and 2015, is as follows (dollars in millions):

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| Computed expected tax | $ 22,431 | $ 21,480 | $ 25,380 |
| State taxes, net of federal effect | 185 | 553 | 680 |
| Indefinitely invested earnings of foreign subsidiaries | (6,135) | (5,582) | (6,470) |
| Domestic production activities deduction | (209) | (382) | (426) |
| Research and development credit, net | (678) | (371) | (171) |
| Other | 144 | (13) | 128 |
| Provision for income taxes | $ 15,738 | $ 15,685 | $ 19,121 |
| Effective tax rate | 24.6% | 25.6% | 26.4% |

The Company's income taxes payable have been reduced by the tax benefits from employee stock plan awards. For RSUs, the Company receives an income tax benefit upon the award's vesting equal to the tax effect of the underlying stock's fair market value. The Company had net excess tax benefits from equity awards of $620 million, $379 million and $748 million in 2017, 2016 and 2015, respectively, which were reflected as increases to common stock.

As of September 30, 2017 and September 24, 2016, the significant components of the Company's deferred tax assets and liabilities were (in millions):

| | 2017 | 2016 |
|---|---|---|
| Deferred tax assets: | | |
| Accrued liabilities and other reserves | $ 4,019 | $ 4,135 |
| Basis of capital assets | 1,230 | 2,107 |
| Deferred revenue | 1,521 | 1,717 |
| Deferred cost sharing | 667 | 667 |
| Share-based compensation | 703 | 601 |
| Other | 834 | 788 |
| Total deferred tax assets, net of valuation allowance of $0 | 8,974 | 10,015 |
| Deferred tax liabilities: | | |
| Unremitted earnings of foreign subsidiaries | 36,355 | 31,436 |
| Other | 207 | 485 |
| Total deferred tax liabilities | 36,562 | 31,921 |
| Net deferred tax liabilities | $ (27,588) | $ (21,906) |

Deferred tax assets and liabilities reflect the effects of tax losses, credits and the future income tax effects of temporary differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases and are measured using enacted tax rates that apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

### Uncertain Tax Positions

Tax positions are evaluated in a two-step process. The Company first determines whether it is more likely than not that a tax position will be sustained upon examination. If a tax position meets the more-likely-than-not recognition threshold it is then measured to determine the amount of benefit to recognize in the financial statements. The tax position is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. The Company classifies gross interest and penalties and unrecognized tax benefits that are not expected to result in payment or receipt of cash within one year as non-current liabilities in the Consolidated Balance Sheets.

As of September 30, 2017, the total amount of gross unrecognized tax benefits was $8.4 billion, of which $2.5 billion, if recognized, would affect the Company's effective tax rate. As of September 24, 2016, the total amount of gross unrecognized tax benefits was $7.7 billion, of which $2.8 billion, if recognized, would have affected the Company's effective tax rate.