

sheets. We have not yet completed our accounting for the transition tax as our analysis of deferred foreign income is not complete. To calculate the transition tax, we estimated our deferred foreign income for fiscal year 2018 because these tax returns are not complete or due. Fiscal year 2018 taxable income will be known once the respective tax returns are completed and filed. In addition, U.S. and foreign audit settlements may significantly impact the estimated transition tax. The impact of the U.S. and foreign audits on the transition tax will be known as the audits are concluded.

In addition, we recorded an estimated \$4.2 billion benefit in fiscal year 2018 from the impact of changes in the tax rate, primarily on deferred tax assets and liabilities, which was included in provision for income taxes in our consolidated income statements and deferred income taxes and long-term income taxes in our consolidated balance sheets. We remeasured our deferred taxes to reflect the reduced rate that will apply when these deferred taxes are settled or realized in future periods.

The TCJA subjects a U.S. corporation to tax on its GILTI. Due to the complexity of the new GILTI tax rules, we are continuing to evaluate this provision of the TCJA and the application of GAAP. Under GAAP, we can make an accounting policy election to either treat taxes due on the GILTI inclusion as a current period expense or factor such amounts into our measurement of deferred taxes. We elected the deferred method, and the corresponding deferred tax assets and liabilities are included in the table of deferred income tax assets and liabilities below.

On August 1, 2018, the Internal Revenue Service published on its website proposed regulations relating to the transition tax imposed by the TCJA. Once published in the Federal Register, the proposed regulations are subject to a 60-day comment period. Final regulations are expected to be issued after consideration of comments. We are currently evaluating the impact of the proposed regulations.

Provision for Income Taxes

The components of the provision for income taxes were as follows:

(In millions)

Year Ended June 30,	2018	2017	2016
Current Taxes			
U.S. federal	\$ 19,764	\$ 2,739	\$ 545
U.S. state and local	934	30	136
Foreign	4,348	2,472	1,940
Current taxes	<u>\$ 25,046</u>	<u>\$ 5,241</u>	<u>\$ 2,621</u>
Deferred Taxes			
U.S. federal	\$ (4,292)	\$ (554)	\$ 1,919
U.S. state and local	(458)	269	111
Foreign	(393)	(544)	449
Deferred taxes	<u>\$ (5,143)</u>	<u>\$ (829)</u>	<u>\$ 2,479</u>
Provision for income taxes	<u>\$ 19,903</u>	<u>\$ 4,412</u>	<u>\$ 5,100</u>

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

(In millions)

Year Ended June 30,	2018	2017	2016
U.S.	\$ 11,527	\$ 6,843	\$ 5,12
Foreign	24,947	23,058	20,51
Income before income taxes	<u>\$ 36,474</u>	<u>\$ 29,901</u>	<u>\$ 25,63</u>