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 69%, 73%, and 81% of our foreign income before tax in fiscal years 2016, 2015, and 2014, respectively. In general, other reconciling items consist of interest, U.S. state income taxes, and credits. In fiscal years 2016, 2015, and 2014, there were no individually significant other reconciling items.

The decrease in our effective tax rate for fiscal year 2016 compared to fiscal year 2015 was primarily due to changes in the mix of our income before income taxes between the U.S. and foreign countries, including the net impact of revenue deferrals related to sales of Windows 10, tax benefits from the adoption of the new accounting guidance relating to stock-based compensation, and distributions from foreign affiliates. The fiscal year 2015 effective tax rate included the tax impact of losses in foreign jurisdictions for which we may not realize a tax benefit, primarily as a result of impairment and restructuring charges.

The components of the deferred income tax assets and liabilities were as follows:

(In millions)

June 30,	**2016**	**2015**
Deferred Income Tax Assets		
Stock-based compensation expense	**$ 809**	$ 884
Other expense items	**1,609**	1,531
Restructuring charges	**284**	211
Unearned revenue	**494**	520
Impaired investments	**226**	257
Loss carryforwards	**1,703**	1,158
Depreciation and amortization	**115**	798
Other revenue items	**89**	56
Deferred income tax assets	**5,329**	5,415
Less valuation allowance	**(2,180)**	(2,265)
Deferred income tax assets, net of valuation allowance	**$ 3,149**	$ 3,150
Deferred Income Tax Liabilities		
Foreign earnings	**$ (1,242)**	$ (1,280)
Unrealized gain on investments and debt	**(2,102)**	(2,223)
Depreciation and amortization	**(1,008)**	(685)
Other	**(54)**	(29)
Deferred income tax liabilities	**(4,406)**	(4,217)
Net deferred income tax assets (liabilities)	**$ (1,257)**	$ (1,067)
Reported As		
Other long-term assets [(a)]	**$ 219**	$ 228
Long-term deferred income tax liabilities [(a)]	**(1,476)**	(1,295)
Net deferred income tax assets (liabilities) [(a)]	**$ (1,257)**	$ (1,067)

(a) *Balances as of June 30, 2015 reflect the impact of the adoption of the new accounting standard in fiscal year 2016 related to balance sheet classification of deferred taxes. See Note 1 – Accounting Policies for additional details.*

As of June 30, 2016, we had net operating loss carryforwards of $8.0 billion, including $6.3 billion of foreign net operating loss carryforwards. The valuation allowance disclosed in the table above relates to the foreign net operating loss carryforwards and other net deferred tax assets that may not be realized.