

## 15. Income Taxes

### Income Tax Expense and Effective Tax Rate

The following table shows our income tax expense and our effective tax rate:

(\$000)	2010	2009	2008
Income before income taxes and equity in net income of unconsolidated entities	<b>\$ 127,791</b>	\$ 127,607	\$ 143,128
Equity in net income of unconsolidated entities	<b>1,422</b>	1,165	1,321
Net (income) loss attributable to noncontrolling interests	<b>(87)</b>	132	(397)
Total	<b>\$ 129,126</b>	\$ 128,904	\$ 144,052
Income tax expense	<b>\$ 42,756</b>	\$ 46,775	\$ 54,423
Effective tax rate	<b>33.1%</b>	36.3%	37.8%

The following table reconciles our income tax expense at the U.S. federal income tax rate of 35% to income tax expense as recorded:

Income tax expense consists of the following:

(\$000)	2010	2009	2008
<b>Current tax expense:</b>			
U.S.			
Federal	<b>\$ 38,901</b>	\$ 41,347	\$ 37,143
State	<b>2,445</b>	4,942	3,179
Non-U.S.	<b>4,122</b>	3,856	2,875
	<b>45,468</b>	50,145	43,197
<b>Deferred tax expense (benefit):</b>			
U.S.			
Federal	<b>61</b>	(713)	10,712
State	<b>(7)</b>	(38)	524
Non-U.S.	<b>(2,766)</b>	(2,619)	(10)
	<b>(2,712)</b>	(3,370)	11,226
Income tax expense	<b>\$ 42,756</b>	\$ 46,775	\$ 54,423

### Income Tax Expense

(\$000, except percentages)	2010		2009		2008	
	Amount	%	Amount	%	Amount	%
Income tax expense at U.S. federal rate	<b>\$ 45,194</b>	<b>35.0%</b>	\$ 45,117	35.0%	\$ 50,418	35.0%
State income taxes, net of federal income tax benefit	<b>1,756</b>	<b>1.3</b>	3,470	2.7	3,133	2.2
State income taxes, impact of enacted law change on deferred tax assets	<b>—</b>	<b>—</b>	—	—	(884)	(0.6)
Stock option activity	<b>97</b>	<b>0.1</b>	(396)	(0.3)	638	0.4
Disqualifying dispositions on incentive stock options	<b>—</b>	<b>—</b>	(68)	—	(662)	(0.5)
Non-U.S. withholding taxes, net of federal income tax effect, and foreign tax credits	<b>77</b>	<b>0.1</b>	(1,311)	(1.0)	808	0.6
Net change in valuation allowance related to non-U.S. deferred tax assets, primarily net operating losses	<b>(1,186)</b>	<b>(0.9)</b>	1,221	0.9	(1,209)	(0.8)
Impact of equity in net income of unconsolidated entities	<b>79</b>	<b>0.1</b>	(70)	—	(173)	(0.1)
Difference between U.S. federal statutory and foreign tax rates	<b>(2,567)</b>	<b>(2.0)</b>	266	0.2	(687)	(0.5)
Non-deductible deposit penalty	<b>—</b>	<b>—</b>	1,384	1.1	—	—
Expenses related to treatment of stock options originally considered incentive stock options, subject to limitation for tax purposes	<b>—</b>	<b>—</b>	1,082	0.8	—	—
Adjustment to accruals for state taxes	<b>(2,633)</b>	<b>(2.0)</b>	—	—	—	—
Change in unrecognized tax benefits	<b>2,869</b>	<b>2.2</b>	(1,786)	(1.4)	3,007	2.1
Other tax credits	<b>(984)</b>	<b>(0.8)</b>	(1,923)	(1.5)	—	—
Other—net	<b>54</b>	<b>—</b>	(211)	(0.2)	34	—
Total income tax expense	<b>\$ 42,756</b>	<b>33.1%</b>	\$ 46,775	36.3%	\$ 54,423	37.8%