A reconciliation of total income tax expense and the amount computed by applying the statutory federal income tax rate (35%) to income before taxes for the years ended May 31 is as follows (in millions):

	2017	2016	2015
Taxes computed at federal statutory rate	$ 1,603	$ 959	$ 569
Increases (decreases) in income tax from:			
State and local income taxes, net of federal benefit	99	33	36
Foreign operations	(87)	(50)	(43)
Legal entity restructuring	–	(76)	–
TNT Express integration/ acquisition costs	25	40	–
Other, net	(58)	14	15
	$ 1,582	$ 920	$ 577
Effective Tax Rate	34.6%	33.6%	35.5%

Our 2017 tax rate was favorably impacted by $62 million as a result of the implementation of new U.S. foreign currency tax regulations and by $55 million from the adoption of the Accounting Standards Update on share-based payments.

Our 2016 tax rate was favorably impacted by $76 million from an internal corporate legal entity restructuring done in anticipation of the integration of the foreign operations of FedEx Express and TNT Express. A lower state tax rate primarily due to the resolution of a state tax matter also provided a benefit to our 2016 tax rate.

The significant components of deferred tax assets and liabilities as of May 31 were as follows (in millions):

	2017		2016	
	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities
Property, equipment, leases and intangibles	$ 124	$ 4,993	$ 129	$ 4,767
Employee benefits	1,951	–	2,453	–
Self-insurance accruals	745	–	681	–
Other	692	660	528	343
Net operating loss/credit carryforwards	1,069	–	925	–
Valuation allowances	(738)	–	(738)	–
	$ 3,843	$ 5,653	$ 3,978	$ 5,110

The net deferred tax liabilities as of May 31 have been classified in the balance sheets as follows (in millions):

	2017	2016
Noncurrent deferred tax assets(1)	$ 675	$ 435
Noncurrent deferred tax liabilities	(2,485)	(1,567)
	$ (1,810)	$ (1,132)

(1) Noncurrent deferred tax assets are included in the line item "Other Assets" in our consolidated balance sheets.

We have approximately $3.6 billion of net operating loss carryovers in various foreign jurisdictions and $663 million of state operating loss carryovers. The valuation allowances primarily represent amounts reserved for operating loss and tax credit carryforwards, which expire over varying periods starting in 2018. The ending valuation allowance balance includes a decrease for changes in forecasted earnings for the foreign branches of FedEx Express which did not impact current year tax expense because they were offset by related U.S. deferred income tax liabilities. This valuation allowance decrease was fully offset by purchase accounting adjustments related to the acquisition of TNT Express and current year activity. We believe that a substantial portion of these deferred tax assets may not be realized. Therefore, we establish valuation allowances if it is more likely than not that deferred income tax assets will not be realized. In making this determination, we consider all available positive and negative evidence and make certain assumptions. We consider, among other things, our future projections of sustained profitability, deferred income tax liabilities, the overall business environment, our historical financial results and potential current and future tax planning strategies. If we were to identify and implement tax planning strategies to recover these deferred tax assets or generate sufficient income of the appropriate character in these jurisdictions in the future, it could lead to the reversal of these valuation allowances and a reduction of income tax expense. We believe that we will generate sufficient future taxable income to realize the tax benefits related to the remaining net deferred tax assets in our consolidated balance sheet.

Permanently reinvested earnings of our foreign subsidiaries amounted to $2.1 billion at the end of 2017 and $1.6 billion at the end of 2016. We have not recognized deferred taxes for U.S. federal income tax purposes on those earnings. Were the earnings to be distributed, in the form of dividends or otherwise, these earnings could be subject to U.S. federal income tax and non-U.S. withholding taxes. Unrecognized foreign tax credits potentially could be available to reduce a portion of any U.S. tax liability. Determination of the amount of unrecognized deferred U.S. income tax liability is not practicable due to uncertainties related to the timing and source of any potential distribution of such funds, along with other important factors such as the amount of associated foreign tax credits. Cash in offshore jurisdictions associated with our permanent reinvestment strategy totaled $1.2 billion at the end of 2017 and $522 million at the end of 2016.

In 2017, approximately 90% of our total enterprise-wide income was earned in U.S. companies of FedEx that are taxable in the United States. As a U.S. airline, our FedEx Express unit is required by Federal Aviation Administration and other rules to conduct its air operations, domestic and international, through a U.S. company. However, we serve more than 220 countries and territories around the world, and are required to establish legal entities in many of them. Most of our entities in those countries are operating entities, engaged in picking up and delivering packages and performing other transportation services. We are continually expanding our global network to meet our customers' needs, which requires increasing investment outside the U.S. In 2017, we established a new legal entity structure for the integration and operation of FedEx Express and TNT Express.