

2019 Annual Report

Notes to Consolidated Financial Statements *continued*

The components of the provision (benefit) for income taxes are as follows:

	(dollars in millions)		
Years Ended December 31,	2019	2018	2017
Current			
Federal	\$ 518	\$ 2,187	\$ 3,630
Foreign	221	267	200
State and Local	974	741	677
Total	1,713	3,195	4,507
Deferred			
Federal	1,150	175	(14,360)
Foreign	(13)	30	(66)
State and Local	95	184	(37)
Total	1,232	389	(14,463)
Total income tax provision (benefit)	\$ 2,945	\$ 3,584	\$ (9,956)

The following table shows the principal reasons for the difference between the effective income tax rate and the statutory federal income tax rate:

Years Ended December 31,	2019	2018	2017
Statutory federal income tax rate	21.0%	21.0%	35.0%
State and local income tax rate, net of federal tax benefits	3.7	3.7	1.6
Preferred stock disposition	(9.9)	—	—
Affordable housing credit	(0.4)	(0.6)	(0.6)
Employee benefits including ESOP dividend	(0.3)	(0.3)	(0.5)
Impact of tax reform re-measurement	—	—	(81.6)
Internal restructure	—	(9.1)	(0.6)
Noncontrolling interests	(0.5)	(0.5)	(0.6)
Non-deductible goodwill	0.1	4.7	1.0
Other, net	(0.7)	(0.6)	(2.0)
Effective income tax rate	13.0%	18.3%	(48.3)%

The effective income tax rate for 2019 was 13.0% compared to 18.3% for 2018. The decrease in the effective income tax rate and the provision for income taxes was primarily due to the recognition of approximately \$2.2 billion of a non-recurring tax benefit in connection with the disposition of preferred stock, representing a minority interest in a foreign affiliate in 2019 compared to the non-recurring deferred tax benefit of approximately \$2.1 billion, as a result of an internal reorganization of legal entities within the historical Wireless business, which was offset by a goodwill charge that is not deductible for tax purposes in 2018.

The effective income tax rate for 2018 was 18.3% compared to (48.3)% for 2017. The increase in the effective income tax rate and the provision for income taxes was primarily due to the non-recurring, non-cash income tax benefit of \$16.8 billion recorded in 2017 for the re-measurement of U.S. deferred tax liabilities at the lower 21% U.S. federal corporate income tax rate, as a result of the enactment of the TCJA on December 22, 2017. In addition, the provision for income taxes for 2018 includes the tax impact of the Media goodwill impairment charge not deductible for tax purposes, offset by the reduction in the statutory U.S. federal corporate income tax rate from 35% to 21%, effective January 1, 2018 under the TCJA and a non-recurring deferred tax benefit of approximately \$2.1 billion as a result of an internal reorganization of legal entities within the historical Wireless business.

In December 2017, the Securities and Exchange Commission staff issued Staff Accounting Bulletin (SAB) 118 to provide guidance for companies that had not completed their accounting for the income tax effects of the TCJA. Due to the complexities involved in accounting for the enactment of the TCJA, SAB 118 allowed for a provisional estimate of the impacts of the TCJA in our earnings for the year ended December 31, 2017, as well as up to a one year measurement period that ended on December 22, 2018, for any subsequent adjustments to such provisional estimate. In 2018, Verizon completed its analysis of the impacts of the TCJA, including analyzing the effects of any IRS and U.S. Treasury guidance issued, and state tax law changes enacted, within the one year measurement period resulting in no significant adjustments to the \$16.8 billion provisional amount recorded in December 2017.