

As of December 31, 2019, we have \$0.6 million of foreign and federal tax credit carryforwards and we have \$9.8 million of state credit carryovers expiring in 2020 – 2028. Most of the state credit carryovers have a valuation allowance.

Although a deferred tax liability of \$10.0 million was recorded in 2019 for planned repatriation of foreign earnings, the Company has indefinitely reinvested the large majority of its foreign earnings, which are the principal component of U.S. and foreign outside basis differences. The total amount of unremitted foreign earnings is \$4.7 billion upon which the U.S. federal income tax effect has largely been recorded as a result of Transition Tax. Remitting these foreign earnings would result in additional foreign and U.S. income tax consequences, the net tax costs of which are not practicable to determine.

A reconciliation of the provision for income taxes, with the amount computed by applying the statutory federal income tax rate (21% in 2019-2018 and 35% in 2017) to income before provision for income taxes, is as follows (dollars in millions):

	Year Ended December 31,					
	2019		2018		2017	
Computed expected tax	\$ 77.8	21.0 %	\$ 96.1	21.0 %	\$ 137.7	35.0 %
State income taxes, net of federal tax benefit	6.7	1.8 %	8.4	1.8 %	7.6	1.9 %
Foreign earnings taxed at different rates	10.5	2.8 %	8.3	1.8 %	(22.3)	(5.7)%
U.S. tax on foreign earnings	29.0	7.8 %	13.5	2.9 %	72.3	18.4 %
Tax credits	(50.1)	(13.5)%	(20.7)	(4.5)%	(16.8)	(4.3)%
Unremitted foreign earnings	10.0	2.7 %	—	— %	—	— %
Reorganization and divestitures	(47.2)	(12.7)%	—	— %	75.9	19.3 %
Withholding tax	4.8	1.3 %	21.7	4.7 %	7.4	1.9 %
Net change in valuation allowance	(7.6)	(2.1)%	(39.8)	(8.7)%	(2.0)	(0.5)%
Net change in unrecognized tax benefits	36.0	9.7 %	95.0	20.8 %	33.4	8.5 %
Tax Cuts and Jobs Act	—	— %	117.6	25.7 %	41.1	10.5 %
Deferred tax adjustments	—	— %	—	— %	14.1	3.6 %
Other	6.7	1.9 %	7.4	1.7 %	(17.9)	(4.6)%
Income tax expense and rate	\$ 76.6	20.7 %	\$ 307.5	67.2 %	\$ 330.5	84.0 %

The primary adjustments to the statutory rate in 2019 were the following items:

- increase for unrecognized tax benefits;
- increase for minimum tax on certain non-U.S. earnings;
- increase for tax on unremitted foreign earnings;
- decrease related to Reinvent SEE and other restructuring initiatives;
- decrease as a result of larger U.S. tax credits including benefits associated with prior year research & development credits; and
- decrease for release of valuation allowance attributable to Reinvent SEE initiatives.

Unrecognized Tax Benefits

We are providing the following disclosures related to our unrecognized tax benefits and the effect on our effective income tax rate if recognized:

(in millions)	Year Ended December 31,		
	2019	2018	2017
Beginning balance of unrecognized tax benefits	\$ 356.4	\$ 214.3	\$ 162.6
Additions for tax positions of current year	3.4	106.0	7.3
Additions for tax positions of prior years	47.9	59.5	49.3
Reductions for tax positions of prior years	(16.0)	(7.0)	(4.3)
Reductions for lapses of statutes of limitation and settlements	(1.4)	(16.4)	(0.6)
Ending balance of unrecognized tax benefits	\$ 390.3	\$ 356.4	\$ 214.3

In 2019, our unrecognized tax benefit increased by \$33.9 million, primarily related to increases in North America. In 2018, we increased our unrecognized tax benefit by \$142.1 million, also primarily related to North America.

If the unrecognized tax benefits at December 31, 2019 were recognized, our income tax provision would decrease by \$343.5 million, resulting in a substantially lower effective tax rate. Based on the potential outcome of the Company's global tax examinations and the expiration of the statute of limitations for specific jurisdictions, it is possible that the unrecognized tax benefits could change significantly within the next 12 months. Absent resolution of significant tax controversy, the associated impact on the reserve balance is estimated to be a decrease in the range of \$4.6 to \$6.6 million during 2020.

We recognize interest and penalties associated with unrecognized tax benefits in our income tax provision in the Consolidated Statements of Operations. Interest and penalties recorded were \$13.1 million, negligible and \$4.0 million, respectively in 2019, 2018 and 2017. We had gross liabilities, for interest and penalties, of \$56.2 million at December 31, 2019, \$18.2 million at December 31, 2018 and \$14.8 million at December 31, 2017. The increase in the gross liability related to interest and penalties from 2018 to 2019 was primarily due to a reclass within other non-current liabilities from unrecognized tax benefits to interest and penalties which had no impact on the overall Consolidated Balance Sheets or Consolidated Statement of Operations.

The majority of the unrecognized tax benefit amount of \$390.3 million relates to North America.

Income Tax Returns

The Internal Revenue Service (the "IRS") has concluded its examination of Sealed Air U.S. federal income tax returns for all years through 2008, except 2007 which remains open to the extent of a capital loss carryback. The IRS is currently auditing the years 2011-2014 and has proposed to disallow, as deductible expense, the entirety of the \$1.49 billion payment made pursuant to the Settlement agreement (as defined in Note 20, Commitments and Contingencies). We believe that we have meritorious defenses to the proposed disallowance and are protesting it with the IRS. An unfavorable resolution of this matter could have a material adverse effect on our consolidated financial condition and results of operations, including cash flows.

State income tax returns are generally subject to examination for a period of 3 to 5 years after their filing date. We have various state income tax returns in the process of examination and are generally open to examination for periods after 2012.

Our foreign income tax returns are under examination in various jurisdictions in which we conduct business. Income tax returns in foreign jurisdictions have statutes of limitations generally ranging from 3 to 5 years after their filing date. We have various foreign returns in the process of examination but have largely concluded all other income tax matters for the years prior to 2010.

Management believes that an adequate provision has been made for any adjustments that may result from tax examinations. However, the outcome of tax audits cannot be predicted with certainty. If any of the issues addressed in the Company's tax audits are resolved in a manner that is inconsistent with management's expectations, the Company could be required to adjust its provision for income taxes in the period such resolution occurs and could be required to make significant payments as a result.