

Tax Carryforwards

The amount and expiration dates of income tax net operating loss carryforwards and tax credit carryforwards, which are available to reduce future taxes, if any, as of August 31, 2019 are as follows:

(dollars in thousands)	<u>Last Fiscal Year of Expiration</u>	<u>Amount</u>
Income tax net operating loss carryforwards: ⁽¹⁾		
Domestic – state	2039	\$ 57,299
Foreign	2039 or indefinite	\$565,609
Tax credit carryforwards: ⁽¹⁾		
Domestic – federal	2029	\$ 39,784
Domestic – state	2027	\$ 3,313
Foreign ⁽²⁾	2027 or indefinite	\$ 15,345

(1) Net of unrecognized tax benefits.

(2) Calculated based on the deferral method and includes foreign investment tax credits.

Unrecognized Tax Benefits

Reconciliation of the unrecognized tax benefits is summarized below (in thousands):

	<u>Fiscal Year Ended August 31,</u>		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 256,705	\$201,355	\$149,898
Additions for tax positions of prior years	20,158	14,465	2,155
Reductions for tax positions of prior years ⁽¹⁾	(106,252)	(21,045)	(12,233)
Additions for tax positions related to current year ⁽²⁾	35,769	81,866	77,807
Cash settlements	—	(1,659)	(2,298)
Reductions from lapses in statutes of limitations	(2,570)	(7,496)	(10,446)
Reductions from settlements with taxing authorities ⁽³⁾	(35,582)	(5,928)	(6,061)
Foreign exchange rate adjustment	(3,845)	(4,853)	2,533
Ending balance	<u>\$ 164,383</u>	<u>\$256,705</u>	<u>\$201,355</u>
Unrecognized tax benefits that would affect the effective tax rate (if recognized)	<u>\$ 93,237</u>	<u>\$117,455</u>	<u>\$ 75,223</u>

(1) The reductions for tax positions of prior years for the fiscal year ended August 31, 2019 are primarily related to a non-U.S. taxing authority ruling related to certain non-U.S. net operating loss carry forwards, offset with a valuation allowance and the impacts of the Tax Act.

(2) The additions for the fiscal years ended August 31, 2019 and 2018 are primarily related to the impacts of the Tax Act and taxation of certain intercompany transactions. The additions for the fiscal year ended August 31, 2017 are primarily related to certain non-U.S. net operating loss carry forwards, previously offset with a valuation allowance, that can no longer be recognized due to an internal restructuring.

(3) The reductions from settlements with taxing authorities for the fiscal year ended August 31, 2019 are primarily related to the settlement of a U.S. audit.

The Company recognizes interest and penalties related to unrecognized tax benefits in income tax expense. The Company's accrued interest and penalties were approximately \$18.9 million and \$20.4 million as of August 31, 2019 and 2018, respectively. The Company recognized interest and penalties of approximately \$(1.5) million, \$(6.7) million and \$5.2 million during the fiscal years ended August 31, 2019, 2018 and 2017, respectively.

It is reasonably possible that the August 31, 2019 unrecognized tax benefits could decrease during the next 12 months by \$5.8 million, primarily related to a state settlement.