

MAXLINEAR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share amounts and percentage data)

The components of the deferred income tax assets are as follows:

	December 31,	
	2019	2018
	(in thousands)	
Deferred tax assets:		
Net operating loss carryforwards	\$ 65,477	\$ 64,887
Research and development credits	80,404	75,032
Accrued expenses and other	7,768	7,965
Lease obligation	2,047	—
Accrued compensation	1,441	2,504
Stock-based compensation	3,460	2,550
	<u>160,597</u>	<u>152,938</u>
Less valuation allowance	(77,957)	(79,196)
	<u>82,640</u>	<u>73,742</u>
Deferred tax liabilities:		
Fixed assets	(246)	(1,391)
Leased right-of-use assets	(1,483)	—
Intangible assets	(13,627)	(20,833)
Net deferred tax assets	<u>\$ 67,284</u>	<u>\$ 51,518</u>

At December 31, 2019, the Company had federal, state and foreign tax net operating loss carryforwards of approximately \$269.3 million, \$86.4 million and \$11.7 million, respectively. The federal, state and foreign tax loss carryforwards will begin to expire in 2020, 2020 and 2026 respectively, unless previously utilized.

At December 31, 2019, the Company had federal, state and foreign tax credit carryforwards of approximately \$41.8 million, \$86.3 million and \$5.7 million, respectively. The federal and foreign tax credit carryforwards will begin to expire in 2023 and 2024 respectively, unless previously utilized. The state tax credit carryforwards do not expire. The Company also has foreign incentive deductions of approximately \$24.5 million that do not expire.

In addition, the Company has \$0.3 million of federal alternative minimum tax credit carryforwards that will be refundable in future years, due to the Tax Cuts and Jobs Act described below.

The Company utilizes the asset and liability method of accounting for income taxes, under which deferred taxes are determined based on temporary differences between the financial statement and tax basis of assets and liabilities using tax rates expected to be in effect during the years in which the temporary differences reverse. The Company records a valuation allowance to reduce its deferred taxes to the amount it believes is more likely than not to be realized. In making such determination, the Company considers all available positive and negative evidence quarterly, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies, and recent financial performance. Forming a conclusion that a valuation allowance is not required is difficult when there is negative evidence such as cumulative losses in recent years. Based upon the Company's review of all positive and negative evidence, the Company released \$51.2 million in valuation allowance against certain of its deferred tax assets in 2017. In 2018, the Company released an additional \$11.3 million of its valuation allowance as a result of completing its analysis of the effects of the Tax Act. The Company continues to maintain a valuation allowance on its state deferred taxes, certain of its federal deferred tax assets, and certain foreign deferred tax assets in jurisdictions where the Company has cumulative losses or otherwise is not expected to utilize certain tax attributes. The Company does not incur expense or benefit in certain tax-free jurisdictions in which it operates.

The income tax benefit for the year ended December 31, 2019 primarily related to the mix of pre-tax income among jurisdictions, discrete tax benefits related to stock-based compensation, and release of certain reserves for uncertain tax positions under ASC 740-10.

The income tax benefit for the year ended December 31, 2018 primarily related to a partial release of the Company's valuation allowance and the mix of pre-tax income among jurisdictions, excess tax benefits related to stock-based compensation, and release of uncertain tax positions under ASC 740-10.