

Notes to Consolidated Financial Statements - (Continued)
Fiscal Years Ended May 26, 2019, May 27, 2018, and May 28, 2017
(columnar dollars in millions except per share amounts)

The tax effect of temporary differences and carryforwards that give rise to significant portions of deferred tax assets and liabilities consisted of the following:

	May 26, 2019		May 27, 2018	
	Assets	Liabilities	Assets	Liabilities
Property, plant and equipment	\$ —	\$ 240.7	\$ —	\$ 141.0
Inventory	15.2	—	2.6	—
Goodwill, trademarks and other intangible assets	—	1,187.0	—	406.2
Accrued expenses	11.8	—	15.5	—
Compensation related liabilities	35.9	—	34.1	—
Pension and other postretirement benefits	54.6	—	45.8	—
Investment in unconsolidated subsidiaries	—	185.4	—	165.8
Other liabilities that will give rise to future tax deductions	123.5	—	109.7	—
Net capital and operating loss carryforwards	766.5	—	762.5	—
Federal credits	18.0	—	3.5	—
Other	37.6	24.0	23.6	9.5
	<u>1,063.1</u>	<u>1,637.1</u>	<u>997.3</u>	<u>722.5</u>
Less: Valuation allowance	(738.1)	—	(739.6)	—
Net deferred taxes	<u>\$ 325.0</u>	<u>\$ 1,637.1</u>	<u>\$ 257.7</u>	<u>\$ 722.5</u>

The liability for gross unrecognized tax benefits at May 26, 2019 was \$44.1 million, excluding a related liability of \$11.7 million for gross interest and penalties. Included in the balance at May 26, 2019 are \$1.0 million of tax positions for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility. Because of the impact of deferred tax accounting, the disallowance of the shorter deductibility period would not affect the annual effective tax rate but would accelerate the payment of cash to the taxing authority to an earlier period. Any associated interest and penalties imposed would affect the tax rate. As of May 27, 2018, our gross liability for unrecognized tax benefits was \$32.5 million, excluding a related liability of \$7.7 million for gross interest and penalties. Interest and penalties recognized in the Consolidated Statements of Operations was an expense of \$1.2 million in fiscal 2019, an expense of \$1.6 million in fiscal 2018, and a benefit of \$0.3 million in fiscal 2017.

The net amount of unrecognized tax benefits at May 26, 2019 and May 27, 2018 that, if recognized, would favorably impact our effective tax rate was \$37.3 million and \$27.8 million, respectively.

We accrue interest and penalties associated with uncertain tax positions as part of income tax expense.

We conduct business and file tax returns in numerous countries, states, and local jurisdictions. The U.S. Internal Revenue Service ("IRS") has completed its audit of the Company for tax years through fiscal 2017. All resulting significant items for fiscal 2017 and prior years have been settled with the IRS, with the exception of fiscal 2016. Statutes of limitation for pre-acquisition tax years of Pinnacle generally remain open for calendar year 2002 and subsequent years principally related to net operating losses. Other major jurisdictions where we conduct business generally have statutes of limitations ranging from three to five years.

We estimate that it is reasonably possible that the amount of gross unrecognized tax benefits will decrease by up to \$20.7 million over the next twelve months due to various federal, state, and foreign audit settlements and the expiration of statutes of limitations. Of this amount, approximately \$6.7 million would reverse through results of discontinued operations.