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Blue Buffalo Pet Products, Inc.
Notes to Consolidated Financial Statements (Continued)

A reconciliation of the federal statutory rate to our effective rate is as follows:

	December 31, 2012	For the years ended December 31, 2013	December 31, 2014
Federal statutory income tax rate	35.0%	35.0%	35.0%
State income taxes, net of federal income tax benefit	4.2	2.2	2.1
Non-deductible expenses	0.4	0.3	0.3
Unrecognized tax benefits	—	(1.0)	1.3
Other	(0.1)	(0.5)	(0.4)
Total	<u>39.5%</u>	<u>36.0%</u>	<u>38.3%</u>

The Company and its subsidiaries file income tax returns in the United States and in states and various local jurisdictions where the Company has nexus. Additionally as a result of new business activities in Canada, Mexico and Japan, foreign tax filings will be required but are not expected to be material to the 2014 tax provision.

In the normal course of business, the Company is subject to examination by taxing authorities and as of December 31, 2014 and the date of this report, the Company's 2011 income tax return was being audited by the Internal Revenue Service ("IRS"). During 2013, the IRS completed its audit of 2010 with an immaterial assessment. There are also various state tax examinations in progress primarily attributable to state nexus matters relating to prior year amended tax returns which have been considered in the Company's position for uncertain tax benefits. In general, tax years 2011 through 2014 are subject to an examination for U.S. Federal and tax years 2010 through 2014 for some state and local taxing jurisdictions.

As of December 31, 2012, there were no liabilities for income taxes associated with uncertain tax positions. As of December 31, 2013 and 2014, the liability for income taxes associated with uncertain tax positions was \$2.7 million and \$4.8 million, respectively. The following is a reconciliation of the beginning and ending amount of unrecognized tax benefits (which excludes federal benefits of state taxes, interest, penalties, and the impact of state net operating loss carryforwards):

(dollars in thousands)	
Balance at December 31, 2012	\$ —
Increases in uncertain tax benefits as a result of tax positions taken in the prior year	2,924
Increases in uncertain tax benefits as a result of tax positions taken in the current year	1,959
Balance at December 31, 2013	4,883
Increases in uncertain tax benefits as a result of tax positions taken in the prior year	206
Increases in uncertain tax benefits as a result of tax positions taken in the current year	2,429
Balance at December 31, 2014	<u>\$7,518</u>

The Company recognizes interest related to unrecognized tax benefits and penalties related to unrecognized tax benefits as a component of income tax expense. For the year ended December 31, 2013, the Company recorded