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FIRST DATA CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 15: Income Taxes

(in millions)	Year ended December 31,		
	2014	2013	2012
Components of pretax (loss) income:			
Domestic	\$ (378)	\$ (843)	\$ (929)
Foreign	195	173	124
	<u>\$ (183)</u>	<u>\$ (670)</u>	<u>\$ (805)</u>
Provision (benefit) for income taxes:			
Federal	\$ 16	\$ 39	\$ (319)
State and local	22	20	65
Foreign	44	46	11
Income tax expense (benefit)	<u>\$ 82</u>	<u>\$ 105</u>	<u>\$ (243)</u>
Effective income tax rate	(45)%	(16)%	30%

The Company's effective tax rates differ from statutory rates as follows:

	Year ended December 31,		
	2014	2013	2012
Federal statutory rate	35%	35%	35%
State income taxes, net of federal income tax benefit	(1)	2	1
Nontaxable income from noncontrolling interests	37	9	7
Impact of foreign operations (a)(b)	(9)	(1)	1
Tax effects of foreign exchange gains/losses	(6)	1	—
Valuation allowances (b)	(103)	(55)	(19)
Liability for unrecognized tax benefits (b)	12	—	4
Prior year adjustments (b)	(7)	(6)	2
Nondeductible bad debts	(3)	—	—
Other	—	(1)	(1)
Effective tax rate	<u>(45)%</u>	<u>(16)%</u>	<u>30%</u>

- (a) The impact of foreign operations includes the effects of earnings and profits adjustments, foreign losses, and differences between foreign tax expense and foreign taxes eligible for the U.S. foreign tax credit.
- (b) The 2014, 2013, and 2012 effective tax rates were negatively impacted by a total of approximately 5%, 13%, and 8%, respectively, as a result of the current year cumulative correction of immaterial prior year errors.