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

Deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the book and tax bases of the Company's assets and liabilities. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized. Deferred tax assets are included in both "Other current assets" and "Other long-term assets" in the Company's Consolidated Balance Sheets. Deferred tax liabilities are included in both "Other current liabilities" and "Long-term deferred tax liabilities" in the Company's Consolidated Balance Sheets. The following table outlines the principal components of deferred tax items:

(in millions)	As of December 31,	
	2014	2013
Deferred tax assets related to:		
Reserves and other accrued expenses	\$ 266	\$ 360
Pension obligations	—	13
Employee related liabilities	84	100
Deferred revenues	30	33
Net operating losses and tax credit carryforwards	2,160	2,003
U.S. foreign tax credits on undistributed earnings	280	274
Foreign exchange (gain)/loss	52	69
Total deferred tax assets	2,872	2,852
Valuation allowance	(1,694)	(1,498)
Realizable deferred tax assets	1,178	1,354
Deferred tax liabilities related to:		
Property, equipment, and intangibles	(1,083)	(1,232)
Pension obligations	(2)	—
Investment in affiliates and other	(331)	(426)
Unrealized securities and hedging (gain)/loss	—	(1)
U.S. tax on foreign undistributed earnings	(185)	(140)
Total deferred tax liabilities	(1,601)	(1,799)
Net deferred tax liabilities	\$ (423)	\$ (445)

The Company's deferred tax assets and liabilities were included in the Consolidated Balance Sheets as follows:

(in millions)	As of December 31,	
	2014	2013
Current deferred tax assets	\$ 86	\$ 103
Current deferred tax liabilities	(6)	(1)
Long-term deferred tax assets	18	5
Long-term deferred tax liabilities	(521)	(552)
Net deferred tax liabilities	\$ (423)	\$ (445)

As of December 31, 2014 and 2013, the Company had recorded valuation allowances of \$1.7 billion and \$1.5 billion, respectively, against its net deferred tax assets. The increase to the valuation allowance of \$196 million in 2014 was primarily due to current year federal, state, and foreign net operating losses which may not be utilized within the statute of limitations. Included in the total change to the valuation allowance was a release in a certain foreign jurisdiction due to improved financial performance. In determining the necessary amount of