Notes to Financial Statements

Dollars in millions

Note 14. Estimated Income Taxes (Continued)

Worldwide, we have operating loss carryforwards of approximately $687 with remaining lives ranging from one year to an indefinite period. Valuation allowances are provided for deferred benefits if the realization of the benefits is uncertain. To reflect uncertainties related to utilization of specific loss carryforwards, we increased the valuation allowance by $19 in 2000 and $26 in 2001. Net benefits recognized for loss carryforwards generally relate to the U.S., where we have traditionally been a taxpayer, and Brazil and the United Kingdom, where operating losses may be carried forward indefinitely. Foreign tax credits may be used to offset the U.S. income taxes due on income earned from foreign sources; however, the credit is limited to the total U.S. taxes payable on income from all sources. Excess foreign tax credits may be carried back two years and forward five years. As of December 31, 2000 and 2001, we believe it is more likely than not that we will generate a sufficient level and proper mix of taxable income within the appropriate period to utilize all the foreign tax credits. If we are unable to generate a sufficient level and proper mix of taxable income within the appropriate periods we may be unable to utilize some or all of these tax benefits. The foreign tax credit carryforwards expire as follows: 2003, $5; 2004, $20; 2005, $28; 2006, $26.

Cumulative undistributed earnings of non-U.S. subsidiaries for which U.S. income taxes, exclusive of foreign tax credits, have not been provided approximated $852 at December 31, 2001. U.S. income taxes have not been provided on these undistributed earnings since we intend to permanently reinvest them. If the total undistributed earnings of non-U.S. subsidiaries had been remitted in 2001, a significant amount of the additional tax provision would have been offset by foreign tax credits.

We paid income taxes of $136 in 1999 and $98 in 2000 and received a net refund of $38 in 2001.

The effective income tax rate differs from the U.S. federal income tax rate for the following reasons:

	Year Ended December 31 1999	2000	**2001**
U.S. federal income tax rate	35.0%	35.0%	**35.0%**
Increases (reductions) resulting from:			
State and local income taxes, net of federal income tax benefit	2.1	2.3	**4.2**
Non-U.S. income	(4.0)	(5.1)	**(1.6)**
Valuation adjustments	3.3	4.0	**(5.3)**
General business tax credits	(1.9)	(1.7)	**1.9**
Amortization of goodwill	0.6	1.2	**(0.8)**
Miscellaneous items	(1.0)	1.1	**(0.2)**
Effective income tax rate	34.1%	36.8%	**33.2%**

Note 15. Composition of Certain Balance Sheet Amounts

The following items comprise the net amounts indicated in the respective balance sheet captions:

	December 31 2000	**2001**
Investments and Other Assets		
Goodwill	$ 969	**$ 841**
Investments at equity	965	**877**
Marketable securities, cost of $37 - 2000 and $32 - 2001	41	**33**
Loans receivable	109	**80**
Other	283	**378**
	$2,367	**$2,209**
Property, Plant and Equipment, net		
Land and improvements to land	$ 146	**$ 133**
Buildings and building fixtures	1,167	**1,099**
Machinery and equipment	4,859	**4,808**
	6,172	**6,040**
Less: Accumulated depreciation	2,663	**2,907**
	$3,509	**$3,133**
Deferred Employee Benefits and Other Noncurrent Liabilities		
Postretirement other than pension	$ 831	**$ 834**
Deferred income tax	310	**214**
Pension	109	**299**
Postemployment	82	**82**
Compensation	54	**48**
Other noncurrent liabilities	121	**163**
	$1,507	**$1,640**
Investment in Leases		
Direct financing leases	$ 141	**$ 118**
Leveraged leases	867	**920**
Property on operating leases, net of accumulated depreciation	93	**75**
Allowance for credit losses	(43)	**(31)**
	1,058	**1,082**
Less: Current portion	21	**14**
	$1,037	**$1,068**

The components of the net investment in direct financing leases are as follows:

	December 31 2000	**2001**
Total minimum lease payments	$154	**$125**
Residual values	42	**38**
Deferred initial direct costs	2	**2**
	198	**165**
Less: Unearned income	57	**47**
	$141	**$118**