

Income Tax Expense

Income tax expense is summarized in the following table:

Fiscal year	2014	2013	2012
Income tax expense	\$465	\$455	\$450
Effective tax rate	39.2%	38.3%	38.0%

The following table illustrates the components of our effective tax rate:

Fiscal year	2014	2013	2012
Statutory rate	35.0%	35.0%	35.0%
State and local income taxes, net of federal income taxes	3.8%	3.6%	3.6%
Non-deductible acquisition-related items	0.9%	—%	—%
Other, net	(0.5%)	(0.3%)	(0.6%)
Effective tax rate	39.2%	38.3%	38.0%

Income Tax Expense (2014 vs. 2013)

The increase in the effective tax rate for 2014 compared with 2013 was primarily due to tax adjustments associated with a reassessment of our deferred tax assets related to acquisitions.

Income Tax Expense (2013 vs. 2012)

The increase in the effective tax rate for 2013 compared with 2012 was primarily due to changes in our estimated state tax reserves.

Fourth Quarter Results

The following are our results for the fourth quarters of 2014 and 2013:

Quarter ended	January 31, 2015	February 1, 2014
Net sales	\$3,938	\$3,614
Credit card revenues	105	97
Gross profit ¹	1,444	1,345
Gross profit (% of net sales) ¹	36.7%	37.2%
Retail SG&A expenses	(1,032)	(918)
Retail SG&A (% of net sales)	(26.2%)	(25.4%)
Credit expenses	(54)	(38)
Net earnings	255	268
Earnings per diluted share	\$1.32	\$1.37

¹ Gross profit is calculated as net sales less cost of sales and related buying and occupancy costs (for all segments).

Our fourth quarter sales trends were consistent with trends the company experienced throughout 2014. We continued to make progress executing our customer strategy through investments to drive growth across channels. Net earnings for the fourth quarter of 2014 were \$255, or \$1.32 per diluted share, compared with \$268, or \$1.37 per diluted share, in 2013. The Trunk Club acquisition reduced earnings before interest and taxes in the fourth quarter by \$11.

Net Sales

Total net sales increased in the fourth quarter by 9.0%, driven by a comparable sales increase of 4.7% and 35 new stores in 2014.

Nordstrom net sales, which consist of the full-line stores in the U.S. and Nordstrom.com businesses, increased \$141, or 5.0%, compared with the same period in 2013, while comparable sales increased 4.5%. Both the number of items sold and the average selling price of our merchandise increased on a comparable basis. Category highlights for the quarter were Cosmetics, Accessories and Men's Apparel.

U.S. full-line net sales for the quarter increased \$26, or 1.2%, compared with the same period in 2013, with an increase in comparable sales of 0.5%. The Southwest and Southeast were the top-performing geographic regions.

Nordstrom.com net sales increased \$115, or 19%, on top of last year's 30% increase for the same period. Nordstromrack.com and HauteLook net sales increased \$24, or 28%, compared with the same period in 2013. Both were primarily driven by expanded merchandise selection and ongoing technology investments to enhance the customer experience.