

\$400 million matured in 2002. We also terminated an interest rate swap with a notional amount of \$500 million, resulting in a gain of \$19 million that will be amortized into income over the life of the hedged debt. In 2003 and 2002, the gains amortized into income were not material to our results of operations.

Prior to 2003, we entered into rate lock agreements to hedge the exposure to variability in future cash flows of forecasted debt transactions. During 2002, transactions contemplated by these agreements occurred and the gain or loss was recorded as a component of other comprehensive income. The gain or loss will be reclassified into earnings in the periods during which the designated hedged cash flows affect earnings. These amounts are reflected in the Consolidated Statements of Financial Position. Cash flows from these hedging transactions are classified with the item being hedged.

Interest Rate Swaps Outstanding at Year-end

(millions)

January 31, 2004			February 1, 2003		
Notional Amount	Receive Fixed	Pay Floating*	Notional Amount	Receive Fixed	Pay Floating*
\$500	7.5%	1.2%	\$500	7.5%	1.5%
550	4.6	1.3	550	4.6	1.4
200	4.9	1.1	-	-	-
400	4.4	1.4	-	-	-
500	4.4	1.2	-	-	-
-	-	-	400	5.1	1.4

*Reflects floating interest rate accrued at the end of the year.

Leases

Assets held under capital leases are included in property and equipment and are charged to depreciation and interest over the life of the lease. Operating leases are not capitalized and lease rentals are expensed. Rent expense on buildings, classified in selling, general and administrative expense, includes percentage rents that are based on a percentage of retail sales over stated levels. Total rent expense was \$183 million in 2003, \$179 million in 2002 and \$171 million in 2001. Most of the long-term leases include options to renew, with terms varying from one to 30 years. Certain leases also include options to purchase the property.

Future minimum lease payments required under noncancelable lease agreements existing at January 31, 2004, were:

Future Minimum Lease Payments

(millions)	Operating Leases	Capital Leases
2004	\$ 163	\$ 21
2005	150	20
2006	136	19
2007	125	19
2008	111	19
After 2008	1,093	166
Total future minimum lease payments	\$1,778	\$264
Less: Interest*	(780)	(106)
Present value of minimum lease payments	\$ 998	\$158**

*Calculated using the interest rate at inception for each lease (the weighted average interest rate was 8.6 percent).

**Includes current portion of \$9 million.

Income Taxes

Reconciliation of tax rates is as follows:

Tax Rate Reconciliation

	2003	2002	2001
Federal statutory rate	35.0%	35.0%	35.0%
State income taxes, net of federal tax benefit	3.3	3.4	3.3
Dividends on ESOP stock	(.2)	(.2)	(.1)
Work opportunity tax credits	(.2)	(.2)	(.2)
Other	(.1)	.2	-
Effective tax rate	37.8%	38.2%	38.0%

The components of the provision for income taxes were:

Income Tax Provision: Expense

(millions)	2003	2002	2001
Current:			
Federal	\$ 751	\$ 663	\$683
State	121	111	107
	872	774	790
Deferred:			
Federal	219	220	43
State	28	28	6
	247	248	49
Total	\$1,119	\$1,022	\$839

The components of the net deferred tax asset/(liability) were:

Net Deferred Tax Asset/(Liability)

(millions)	January 31, 2004	February 1, 2003
Gross deferred tax assets:		
Self-insured benefits	\$ 189	\$ 188
Deferred compensation	241	184
Inventory	89	106
Accounts receivable valuation allowance	158	151
Postretirement health care obligation	42	42
Other	81	77
	800	748
Gross deferred tax liabilities:		
Property and equipment	(938)	(730)
Pension	(218)	(160)
Other	(133)	(98)
	(1,289)	(988)
Total	\$ (489)	\$(240)

Other Long-term Liabilities

In addition to deferred taxes discussed above, the major components of other long-term liabilities at January 31, 2004 and February 1, 2003 included obligations for deferred compensation plan liabilities, workers' compensation/general liability costs, property related liabilities and postretirement health care benefits. The increase in the other long-term liability balance primarily represents increases in deferred compensation plan liabilities and workers' compensation/general liability costs of \$127 million and \$34 million, respectively,