



Testimony before the Senate Tax Committee

SB 371 – E-Fairness

Submitted by Tim Ehlert, Government Affairs Manager

Tuesday, February 21st, 2012

Good morning. Mr. Chairman and members of the committee my name is Tim Ehlert, and I am a manager on Target's government affairs team.

Thank you for scheduling a hearing on an important bill for Kansas retailers, and for allowing Target to submit our statement of support for Senate Bill 371.

Target is proud to have 19 stores and 1 distribution center in Kansas. The Target team in the state has grown to over 3,400 strong (355,000 nationwide). Target is committed to Kansas, and as part of that commitment we pride ourselves on giving back to the communities that help us grow. We donated a total of \$1.7 million dollars to communities throughout Kansas in 2010 alone – not to mention the hundreds of hours our team members volunteer each year.

Ultimately though, consumer behavior is at the heart of retail. It shapes the industry. And today that consumer influence is evolving at an unprecedented rate. This is in large part due to the rapid advancement of technology—from mobile devices, to web technologies, to social networks. Now, more than ever, these technologies are empowering consumers as they use them to help make shopping decisions.

Research clearly indicates that the lines between online and brick-and-mortar retail operations are blurring. Consumers expect a more consistent and seamless experience as they maneuver between the digital and physical retail world. Where sales channels were once separate and distinct, today these touch points are more integrated.

The path to purchasing used to be very linear—guests would read our weekly ad, go to the store and look at an item—and if they liked it, they'd buy it. The moment-of-truth occurred at the shelf.

Today, enabled by technology, the consumer might consult more than 10 sources of information before making a trip to the store. They can now literally shop with an entire network of friends and a wealth of information at their disposal ... available anytime and anywhere. The moment-of-truth now occurs long before entering our store.

Now a guest sees an item in an ad, looks it up on their mobile device, maybe reads a review on Target-dot-com or another website, and compares prices—and even asks their friends for opinions—all on the go.

This is why, at Target, we continue to invest in a multi-channel strategy that focuses on the notion of a “one Target” retail experience.

Target is ready to compete in the new marketplace. As we expand in new areas of our business, from Target.com to Target mobile apps, we look to fairly compete with our retail counterparts, but that can only happen with a change to antiquated sales tax laws.

Current tax law has the government picking winners and losers, with the losers being those that have made the largest investments in their communities.

Target collected almost \$48 million dollars in sales and property tax last year in Kansas, and gladly does so as required by law. The problem is when certain retailers do not collect a tax that is due; their competitive advantage can be 5, 6, 7% or more.

As I’m sure you all are aware, this disadvantage stems from a 1992 U.S. Supreme Court decision allowing retailers without a physical presence in the state to operate without the requirement to collect and remit state sales tax. The marketplace is very different from 1992 when the internet retailers didn’t even exist. But because of that ruling, as retailers we are limited in terms of the ways we can work to level the playing field. Determining affiliates represent a presence in Kansas, as Senate Bill 371 does, is one way we can begin to create fairness.

It is important to mention that Target is not opposed to affiliates; in fact we believe affiliates are a great tool in growing our online business and we support several affiliates across the country. We also share affiliates with other companies, typically affiliates represent all sorts of retailers from brick and mortar to online only, and don’t rely on just one retailer as a source of income.

Target is committed to Kansas and the health of its economy. We will continue to invest in jobs and infrastructure. Target does not want to be a showroom for online only retailers; we want to compete fairly in this marketplace.

Target appreciates your willingness to address this fairness issue. Thank you again for the opportunity to submit our testimony in support of SB 371.

Don’t hesitate to contact me with questions:

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