# How US Counties Use Revenue Windfalls: Evidence from Nebraska's Inheritance Tax

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**Abstract**

Do local governments save a revenue windfall, spend it or cut taxes? Nebraska's inheritance tax is paid to the county where the deceased lived, so each inheritance tax windfall arrives with a resident's death. Using that timing as a quasi-experiment, I decompose the inheritance tax windfalls into county saving, county spending and lower property taxes, with county audits for 2009–2024 and adopted budgets from 2001. In the year an inheritance tax windfall arrives, county saving rises by about the full inheritance tax windfall, while county spending does not rise significantly. By the end of the following year, cumulative county spending has risen by 0.60 to 0.68 dollars per windfall dollar. Property tax requests do not fall significantly after an inheritance tax windfall.

**JEL codes:** H71, H72, H77, R51

**Keywords:** local public finance, revenue shocks, inheritance tax, property tax

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# 1 Introduction

In Nebraska, a county's inheritance tax revenue depends on which of its residents have recently died, and the largest inheritance tax windfall equaled more than half of a county's budgeted spending. I use these revenue windfalls to answer a basic question of local public finance: does a local government save a revenue windfall, spend it or cut taxes? The answer determines who benefits: future budgets, the users of public services or taxpayers.

Most existing estimates come from revenue that is anticipated or permanent. Intergovernmental grants are anticipated, because governments know them before they are paid, and in early estimates a dollar of grants raises state and local spending by 30 cents to a full dollar (Inman, 2008). Quasi-experimental studies use permanent changes in revenue, from wind farms that add to the tax base (Brunner and Schwegman, 2022) and from a census that permanently revised German municipalities' grants (Helm and Stuhler, 2024).

**This paper** Using the timing of Nebraska's inheritance tax windfalls as a quasi-experiment, I decompose these largely unanticipated revenue windfalls into county saving, county spending and lower property taxes. Counties keep an inheritance tax windfall in their cash balances in the year it arrives and spend part of it by the end of the following year. County saving rises by about the full inheritance tax windfall in the windfall year, and cumulative county spending by 0.60 to 0.68 dollars per windfall dollar by the end of the following year. The property tax request changes by only 0.02 dollars per windfall dollar over the budgets adopted in the windfall year and the next.

The county saving and county spending estimates are causal because counties anticipate little of an inheritance tax windfall. Each arrives when a resident dies, past inheritance tax windfalls explain little of the next one, and growth in local income does not predict it. The county board cannot change the tax rates or exemptions, which state law sets. County budgets estimate inheritance tax receipts, but for the largest inheritance tax windfalls the median estimate was only 20% of the amount received. County saving and county spending do not move significantly before an inheritance tax windfall.

**Related literature** I contribute to four literatures. First, studies of intergovernmental grants find that some governments spend grants (Dal Borgo, 2024; Dahlberg et al., 2008), at times more than dollar for dollar (Leduc and Wilson, 2017), while others return them through lower local taxes or revenue, at once or over several years (Lutz, 2010; Gordon, 2004; Mauri, 2024). German municipalities spend a permanent rise in grants within five years and lower local tax rates only

over more than a decade (Helm and Stuhler, 2024). These grants are anticipated, permanent or both. I show how a county uses revenue that is neither anticipated nor permanent.

Second, governments spend new revenue that they anticipate or that is permanent (Berset and Schelker, 2020; Brunner and Schwegman, 2022; Brunner, Hoen and Hyman, 2022; Caselli and Michaels, 2013; Andersen and Sørensen, 2022), or return it as lower taxes (Ladd, 1993). They spend temporary revenue when they think it is permanent (Solé-Ollé and Viladecans-Marsal, 2019), but mostly smooth unanticipated shocks to a volatile tax (Berset, Huber and Schelker, 2023). I give US evidence on a revenue windfall, revenue that is neither anticipated nor permanent.

Third, governments hold buffers against volatile revenue. US states with rainy day funds hold larger balances (Knight and Levinson, 1999), and states manage the trust funds of unemployment insurance as buffer stocks around a target level (Craig et al., 2016). Cities with more volatile revenue hold more cash (Gore, 2009). I measure county saving directly, as the change in the audited cash balance, and estimate how much of a revenue windfall a county saves.

Fourth, research on state estate and inheritance taxes measures how the wealthy move in response (Bakija and Slemrod, 2004; Moretti and Wilson, 2023) and how much revenue the death of a billionaire brings a state (Moretti and Wilson, 2023), not how governments use that revenue. For a tax at death, I show that Nebraska's counties save the revenue first and spend part of it by the end of the following year, without significantly lowering the property tax request.

**Roadmap** Section 2 describes the tax, the county budgets and the data. Section 3 sets out the local projections, and Section 4 reports the responses of county saving, county spending and the property tax request and shows why the first two are causal. Section 5 tests their robustness, and Section 6 concludes.

## 2 Institutional background and data

Nebraska counties receive an inheritance tax that changes far more from year to year than their property tax. Three data sources measure that inheritance tax windfall and its uses: inheritance tax receipts for every county, the county audits and the budgets that county boards adopt each year.

## 2.1 The inheritance tax and county budgets

Nebraska's inheritance tax is paid to the county where the deceased lived, and the county board may use it for any purpose.[1] A county's inheritance tax windfall is the inheritance tax it receives in a fiscal year. It arrives when residents die.

The inheritance tax is a small but volatile source of county revenue. In the median audited county-year, inheritance tax receipts equal 4.6% of total receipts, and the property tax request 53%. From one year to the next, outside the three metropolitan counties, inheritance tax receipts change by a median of 48%, against 4.5% for the property tax request. Across all counties in 2010–2024, the median inheritance tax windfall equals 2.2% of budgeted spending, and the median in dollars is $353 thousand. The 90th percentile of the inheritance tax windfall is 5.7% of budgeted spending, and the 99th percentile 12.8% (Appendix, Table B.1).

The property tax is the county's largest source of revenue. Each year the county board sets the property tax request, the dollar amount of property tax to collect, and the property tax rate follows from it. The fiscal year runs from July to June, and the board adopts the budget after it has begun. A county can lower its property tax request in any year. State law limits the property tax rate to 50 cents per $100 of taxable valuation, but only 5% of county-years come within 5 cents of that limit.[2] The rate changes in almost every year, but by little: in the median county-year it moves by 1.2 cents per $100 (Appendix A.3).

## 2.2 Data sources

**Three data sources** The three data sources cover different counties and years (Table 1). First, inheritance tax receipts measure the inheritance tax windfall for all 93 counties. For 1993 to 2020, they come from Curry (2021), who collected them from county audits, county budgets and state records. For 2021 to 2023 they come from the county audits, and for 2024 and 2025 from the Nebraska Department of Revenue's county inheritance tax reports.

Second, the county audits measure county saving and county spending. Each county is audited every year, by the Nebraska Auditor of Public Accounts, a state office, or by a private accountant, and that office publishes the audits. I digitized the audits for 2009 to 2024. I read most from the PDF's own text and the rest with optical character recognition (OCR) software.

[1] Nebraska taxes inheritances, not estates. Rates and exemptions depend on the heir's relationship to the deceased, and the exemption for the closest relatives rose from $40,000 to $100,000 per heir in 2023. Tax on land or buildings in another county goes to that county. The board may place the receipts in any of its funds. Neb. Rev. Stat. §77-2004, §77-2014 and §77-2032.

[2] The limit applies to purposes other than bonds. Neb. Rev. Stat. §77-3442(8).

**Table 1: Data**

| Variable | Source | Fiscal years | Counties | County-years |
|---|---|---|---|---|
| Inheritance tax windfall | Inheritance tax receipts | 1993–2025 | 93 | |
| County saving | County audits | 2010–2024 | 84 | 965 |
| County spending | County audits | 2010–2024 | 84 | 957 |
| Property tax request | Adopted budgets | 2004–2024 | 93 | 1,944 |

**Notes:** Year 0 is the windfall year. County-years are those of the year-0 estimates in Table C.1, and fiscal years are those of year 0, except in the first row, which gives the years and counties the receipts cover. Responses of the property tax request use budgets adopted up to fiscal year 2026. Inheritance tax receipts come from Curry (2021) (1993–2020), the county audits (2021–2023) and the Nebraska Department of Revenue (2024–2025). The county saving and county spending rows leave out Douglas, Lancaster and Sarpy, whose audits lack a cash statement, and the six counties described in Section 2.2. Inheritance tax receipts are missing for Box Butte in 1993, Lancaster in 2022 and 2023 and Sarpy in 2021 to 2023. The first row has no county-years of its own, because the receipts enter every estimate.

Each audit lists the county's receipts, its disbursements (county spending) and its cash balance at the start and end of the year. County saving is the change in that cash balance.

Third, each year the county board adopts a budget, which sets its budgeted spending and the property tax request. The adopted budgets cover all 93 counties. Counties file them with the same state office, which publishes them in its budget database.

**Coverage and corrections** The county saving and county spending estimates in the windfall year cover 84 of the 93 counties (Table 1). The others are missing for three reasons. First, the three metropolitan counties, Douglas, Lancaster and Sarpy, keep accrual accounts without a cash statement. Second, I could not extract reliable totals from any audit of Boyd, Fillmore, Pawnee or Sherman (Appendix A.2). Third, Dodge and Valley never have the two consecutive audited county-years that each estimate needs. Of the 1,487 audits for 2009 to 2024, 1,094 county-years pass the consistency checks, and a few more pass for the cash balances alone (Appendix A.2). I call them the audited county-years. The metropolitan counties received 33% of the state's inheritance tax receipts in the years from 2009 to 2024 with complete receipts. The property tax estimates use all 93 counties.

For 2009 to 2020, the inheritance tax fund schedule or cash statement of 481 audits also records the county's inheritance tax receipts. In half of these county-years, the amount in Curry (2021) is within 0.2% of the audit's. I corrected 22 receipts (Table A.1). I replace published amounts that conflict with the audit's own record of the tax, and take out or add back money that a county moved between the inheritance tax fund and its other funds. With the uncorrected receipts, county saving would rise by 0.73 dollars per windfall dollar in the windfall year instead of 1.14. County spending would rise by 0.60 instead of 0.68 by the end of the following year.

## 3 Empirical approach

I estimate how county saving, county spending and the property tax request respond to an inheritance tax windfall, in the year it arrives and the years after. Responses are in dollars per windfall dollar, one dollar of inheritance tax received in the windfall year.

I estimate the responses by local projections (Jordà, 2005): a separate regression for county saving, county spending and the property tax request at each horizon $h$, the number of years after the inheritance tax windfall,

$$y_{ct}^{h} = \beta_h \, w_{ct} + \gamma_1 w_{c,t-1} + \gamma_2 w_{c,t-2} + \delta \, \Delta \ln V_{ct} + \alpha_c + \tau_t + \varepsilon_{ct}, \tag{1}$$

where $c$ is the county and $t$ the fiscal year. The inheritance tax windfall enters as a share of the county's budgeted spending, $w_{ct} = P_{ct}/S_{ct}$. Here $P_{ct}$ is the inheritance tax the county receives in year $t$, and $S_{ct}$ is the disbursements and transfers its budget for year $t-1$ authorizes. Every county-year enters, including those with small inheritance tax windfalls.

The dependent variable $y_{ct}^{h}$ is the change from year $t-1$, the year before the inheritance tax windfall, to year $t+h$, divided by the same budget. For county saving and the property tax request, it is the change in a level:

$$y_{ct}^{h} = \frac{x_{c,t+h} - x_{c,t-1}}{S_{ct}},$$

where $x$ is the property tax request or, for county saving, the cash balance of the governmental funds at the end of the year. For county spending, it is the sum of each year's spending above its level in year $t-1$:

$$y_{ct}^{h} = \sum_{s=0}^{h} \frac{x_{c,t+s} - x_{c,t-1}}{S_{ct}}.$$

$V_{ct}$ is the county's taxable valuation, the value of the property on which it levies the property tax,[3] and $\alpha_c$ and $\tau_t$ are county and year effects. Standard errors are clustered by county.

For county saving and county spending, $\beta_h$ is the causal effect of an inheritance tax windfall if its size is as good as random given the county's history and the year. This assumption is plausible: a county cannot choose when its residents die or what their heirs owe. An estate can take months to settle in county court, so a county could anticipate an inheritance tax windfall and respond early. County saving and county spending do not move significantly before the inheritance tax windfall arrives (Section 4.2).

[3] The growth of taxable valuation is capped at its 1st and 99th percentiles.

Each regression controls for the two previous inheritance tax windfalls, growth in taxable valuation, and county and year effects. Valuation growth matters because rising property values raise both the value of estates and the property tax base.

# 4 How counties use an inheritance tax windfall

This section shows how county saving, county spending and the property tax request respond to an inheritance tax windfall. It then argues that the responses of county saving and county spending can be read as causal effects.

## 4.1 County saving, county spending and the property tax request

A county saves an inheritance tax windfall in the year it arrives and spends part of it in the following year (Figure 1). Its property tax request does not fall significantly.

In the windfall year, county saving rises by 1.14 dollars per windfall dollar, while county spending rises by only 0.03. By the end of the following year, county spending has risen by 0.68 dollars per windfall dollar, and the cash balance is still 0.90 higher. The property tax request changes by 0.00 dollars per windfall dollar in the windfall year's budget and by 0.02 over that budget and the next.

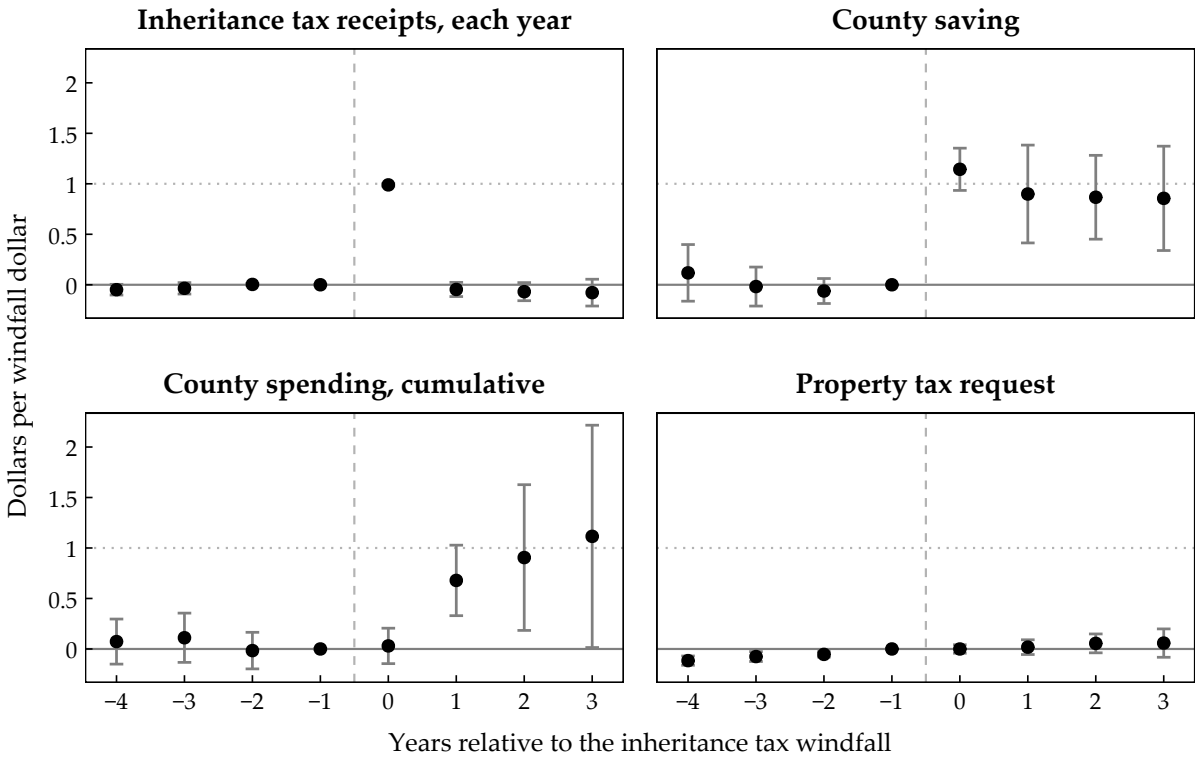
Most of the extra county spending goes to functions other than general government and public safety. By the end of the following year, spending on all other functions rises by 0.56 dollars per windfall dollar, and spending on general government and public safety by only 0.11. On the county-years whose audits print it, spending on roads rises by 0.38 (Appendix C.3).

County saving and county spending together exceed the inheritance tax windfall, partly because other receipts rise too. Other receipts, the audit's total receipts less inheritance tax receipts, rise by 0.16 dollars per windfall dollar in the windfall year, which is not significant at the 5 percent level. By the end of the following year they have risen by 0.37, which is significant at the 10 percent level. The rise is neither the inheritance tax nor interfund transfers counted twice, and it is not in taxes or intergovernmental receipts (Appendix C.2 and Online Supplement SA.D.2).

## 4.2 Causal interpretation

The responses of county saving and county spending can be read as causal effects of the inheritance tax windfall, for two reasons. First, county saving and county spending do not move

**Figure 1: Responses before and after an inheritance tax windfall**




**Notes:** Each point is $\beta_h$ from equation (1), in dollars per windfall dollar, with a 95% interval from standard errors clustered by county. Year 0 is the year the inheritance tax windfall arrives, and every point is relative to year $-1$, which is zero by construction. Inheritance tax receipts are those of each year, not cumulated. County spending is cumulated from year 0, and each point before year 0 is that year's county spending relative to year $-1$. County saving is the change in the cash balance from year $-1$. The property tax request is not cumulated: the point for year $k$ is the change in the request in the budget adopted during that year, relative to year $-1$. The dotted line marks one dollar, and the dashed line separates year $-1$ from year 0. County saving and county spending: audited county-years, fiscal years 2010 to 2024. Property tax request and inheritance tax receipts: all 93 counties, the request from 2004 and the receipts from 2010. Each point uses the years its data allow: year $-4$ starts with windfall year 2013 for county saving and county spending, and 2005 for the request.

significantly before the inheritance tax windfall arrives. Second, few variables predict the inheritance tax windfall, and controlling for those that do barely changes the responses.

County saving and county spending do not move significantly before an inheritance tax windfall arrives. Relative to the year before it, their responses in the three earlier years are small and not jointly significant (Figure 1 and Table C.2). They remain so with county linear trends or valuation growth as controls (Online Supplement, Table SA.4). A trend that this timing test would detect 80 percent of the time would bias county spending by 0.37 dollars per windfall dollar, against an estimate of 0.68 (Online Supplement SA.B.2). Next year's inheritance tax windfall does not move this year's county saving or county spending significantly either.

Local income, farm income, county saving, county spending and the cash balance do not predict the size of an inheritance tax windfall (Online Supplement SA.B.1 and SA.C.2). Two budget variables are related to it: the earlier rise in the property tax request and budget growth.

Controlling for them barely changes the results: county saving rises by 1.11 dollars per windfall dollar and county spending by 0.66, against 1.14 and 0.68 without them (Online Supplement SA.C.2).

The property tax request rises slightly in the budgets before an inheritance tax windfall, so I do not read its response as causal (Online Supplement SA.B.2).

## 5 Robustness checks

County saving in the windfall year and county spending by the end of the following year rise in every main robustness check (Table 2). The robustness checks change the research design, the sample and the measures of the accounts, and the specification.

**Research design** Three other designs confirm that county saving rises in the windfall year, and two of them that county spending rises by the end of the following year. First, a stacked event study compares counties whose inheritance tax windfall is in the top tenth with counties that had none that large in the surrounding years (Cengiz et al., 2019; Wing, Freedman and Hollingsworth, 2024), and does not reject the local projection estimates (Online Supplement SA.B.4). Second, I decompose each inheritance tax windfall into the county's five-year average and the deviation from it. Per dollar of deviation, county saving rises by 1.15 and county spending by 0.68, against 1.14 and 0.68 per dollar of the whole inheritance tax windfall (Online Supplement SA.B.1). Third, more deaths in a county mean more inheritance tax the following year. County saving also rises with the part of the inheritance tax windfall that last year's death rate explains, but the estimate for county spending is too imprecise (Online Supplement SA.B.3).

**Sample and measurement** In other samples and with other measures of the accounts, county saving still rises in the windfall year and county spending by the end of the following year. County saving ranges from 0.98 to 1.29 dollars per windfall dollar, and county spending from 0.45 to 0.79 ("Excluding" and "Only audits" panels of Table 2). County spending is lowest when the inheritance tax windfalls above the 99th percentile are dropped. Some audits report the inheritance tax on a separate line of receipts. In the county-years whose audits print the line in the windfall year and the year before (28 counties), county spending rises by 0.60 dollars per windfall dollar by the end of the following year. Dropping any single county, year, large inheritance tax windfall or corrected receipt changes little (Online Supplement SA.C.3).

## Table 2: Robustness of the three responses

| | County saving *windfall year* | County spending *over two years* | Property tax request *over two budgets* |
|---|---|---|---|
| **Baseline** | 1.14 | 0.68 | 0.02 |
| | (0.11) | (0.18) | (0.04) |
| **Excluding** | | | |
| Inheritance tax windfalls above the 99th percentile | 1.29 | 0.45 | 0.11 |
| | (0.19) | (0.29) | (0.06) |
| Inheritance tax windfalls above 15% before 2009 | | | 0.02 |
| | | | (0.04) |
| Fiscal years after 2020 | 1.17 | 0.64 | 0.01 |
| | (0.15) | (0.27) | (0.05) |
| Douglas, Lancaster and Sarpy | | | 0.02 |
| | | | (0.04) |
| Corrected receipts | 1.12 | 0.77 | 0.03 |
| | (0.11) | (0.18) | (0.04) |
| Repeated or round receipts | 1.13 | 0.69 | 0.01 |
| | (0.10) | (0.18) | (0.04) |
| Bond levies in the request | | | 0.01 |
| | | | (0.04) |
| **Only audits** | | | |
| With the inheritance tax on its own line | 0.98 | 0.60 | 0.08 |
| | (0.11) | (0.16) | (0.08) |
| Read from the PDF's own text | 1.02 | 0.66 | 0.03 |
| | (0.10) | (0.17) | (0.05) |
| Where receipts and disbursements add up | 1.12 | 0.79 | 0.04 |
| | (0.08) | (0.19) | (0.04) |
| **Other denominator** | | | |
| Average budget, 2001–2008 | 0.91 | 0.29 | −0.04 |
| | (0.17) | (0.26) | (0.03) |
| Budget four years earlier | 1.00 | 0.40 | −0.01 |
| | (0.12) | (0.20) | (0.04) |
| **Added controls** | | | |
| Inverse of the budget | 1.13 | 0.60 | 0.02 |
| | (0.10) | (0.18) | (0.03) |
| Valuation growth, $t-2$ to $t+1$ | 1.13 | 0.64 | 0.01 |
| | (0.11) | (0.19) | (0.04) |
| County linear trends | 1.08 | 0.79 | 0.01 |
| | (0.11) | (0.23) | (0.03) |

**Notes:** Each cell is $\beta_h$ from equation (1), in dollars per windfall dollar, with the standard error clustered by county in parentheses. Year 0 is the windfall year. The columns are county saving in the windfall year ($h = 0$), county spending summed over the windfall year and the next ($h = 1$), and the change in the property tax request over the budgets adopted in the windfall year and the next ($h = 1$). The first two columns use audited county-years, fiscal years 2010 to 2024. The property tax column uses all counties from 2004 (from 2007 with the budget four years earlier), except in the "Only audits" rows. In every column, those rows keep the county-years whose audit of year 0 meets the row's condition, and for the own line also the audit of the year before. The 99th percentile is that of inheritance tax windfalls relative to the budget among all counties, in 2010 to 2024 or, for the property tax column, from 2004. "Above 15%" means above 15 percent of the budget, which covers 3 inheritance tax windfalls before 2009. Fiscal year 2020 is the last that Curry (2021) covers. "Corrected receipts" removes every county-year whose inheritance tax windfall, one of its two lags, or its next one I corrected. "Repeated or round receipts" removes every county-year whose inheritance tax windfall or one of its two lags is an amount in Curry (2021) that repeats the county's amount of the year before, shares one with another county in that year, or is a round thousand. "Bond levies in the request" measures the request for purposes other than bonds. "Add up" means that cash at the start plus receipts less disbursements equals cash at the end within 1 percent of disbursements. "Read from the PDF's own text" means not read with OCR. In the "Other denominator" rows, another budget replaces $S_{ct}$ in both the treatment and the outcome: the average for 2001 to 2008, or the budget for year $t-4$. "Inverse of the budget" adds $1/S_{ct}$ as a regressor. "Valuation growth" adds taxable valuation growth in years $t-2$, $t-1$ and $t+1$. A blank cell means that the row does not apply. Other inference is in Online Supplement, Table SA.9.

**Specification** County saving still rises in the windfall year and county spending by the end of the following year under distributed lags, controls for local income, lagged outcomes, weights by budget size and other denominators (Online Supplement SA.C.1 and SA.C.2). County spending is smaller when population or taxable valuation replaces the budget as the denominator (Online Supplement SA.C.2). County spending is also smaller when the ten largest inheritance tax windfalls, or those above the 99th percentile, are dropped (Table 2 and Online Supplement SA.C.3). In several of these robustness checks county spending is not significant.

## 6 Conclusion

A Nebraska county receives inheritance tax when its residents die, and county saving and county spending do not move significantly before it arrives. Their responses can therefore be read as causal effects of an inheritance tax windfall. A county saves an inheritance tax windfall in the year it arrives, and the next budget spends part of it: 0.60 to 0.68 dollars per windfall dollar by the end of the following year. The property tax request does not fall significantly.

How a government uses a revenue windfall depends on whether it expects the revenue to last. Governments that anticipate new revenue or expect it to persist spend more of it or lower taxes (Berset and Schelker, 2020; Solé-Ollé and Viladecans-Marsal, 2019; Newell and Raimi, 2015). In contrast, small, mostly rural Nebraska counties with cash accounts smooth revenue that is unanticipated, temporary and free to spend on anything, as Zurich municipalities smooth most shocks to a volatile tax (Berset, Huber and Schelker, 2023).

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# A Data appendix

The paper uses three data sources (Table 1): inheritance tax receipts, the county audits and the adopted budgets.

## A.1 Inheritance tax receipts

**Sources** I build inheritance tax receipts from three series. First, Curry (2021) receipts, for fiscal years 1993 to 2020, are the table of receipts in its Appendix 1. Second, audit receipts, for 2021 to 2023, are the inheritance tax that the county audit records: the tax received in its inheritance tax fund schedule or, if the audit has none, the inheritance tax among its receipts. Douglas in 2021 to 2023 and Lancaster in 2021 print no cash statement, so their amounts come from accrual statements. Lancaster in 2022 and 2023 and Sarpy in 2021 to 2023 have no audit receipts. Third, Department receipts, for 2024 and 2025, are the "Total Inheritance Tax Paid This County" column of the Department of Revenue's county inheritance tax reports, which cover the same July-to-June fiscal years.

**Corrections** The county audits (Appendix A.2) also record the tax for 2009 to 2020 and for 2024, so I check Curry (2021) and Department receipts against them. I replace Curry (2021) or Department receipts with audit receipts in four cases. First, Curry (2021) receipts differ from audit receipts by a factor of five or more, or Department receipts by a factor of three or more. Second, Department receipts are zero or negative. Third, Curry (2021) receipts repeat the year before's amount to the dollar, and audit receipts do not. Fourth, Curry (2021) receipts equal a balance of the inheritance tax fund printed in the audit.

I make two additional corrections. First, I subtract transfers from other county funds that Curry (2021) receipts count as tax. Second, Washington's 2023 audit subtracts a transfer from the tax, as the next budget shows, and I add it back.

Table A.1 lists all 22 corrections above. Without any of them, county saving would rise by 0.73 dollars per windfall dollar in the windfall year instead of 1.14. County spending would rise by 0.60 instead of 0.68 by the end of the following year.

**Table A.1: Corrected inheritance tax receipts**

| County | Fiscal year | Original | Corrected |
|---|---|---|---|
| **Curry (2021) receipts far from audit receipts** | | | |
| Banner | 2016 | 307,790 | 29,139 |
| Custer | 2016 | 3,455,387 | 510,601 |
| Dawes | 2014 | 23,145 | 238,145 |
| Dawson | 2015 | 5,419,146 | 541,916 |
| Keith | 2009 | 24,387 | 204,722 |
| Wheeler | 2012 | 3,759 | 23,759 |
| **Curry (2021) receipts repeat the year before** | | | |
| Cheyenne | 2013 | 212,723 | 113,061 |
| Cheyenne | 2019 | 615,534 | 177,433 |
| Greeley | 2018 | 364,058 | 175,978 |
| **Curry (2021) receipts equal the fund balance** | | | |
| Furnas | 2009 | 159,362 | 279,708 |
| Furnas | 2010 | 264,070 | 205,476 |
| Furnas | 2011 | 285,546 | 85,792 |
| Nemaha | 2013 | 1,175,559 | 800,928 |
| **Curry (2021) receipts include transfers into the fund** | | | |
| Lincoln | 2019 | 1,283,663 | 1,133,663 |
| Pierce | 2014 | 1,540,544 | 1,237,093 |
| York | 2019 | 2,089,673 | 1,422,341 |
| **Department receipts far from audit receipts** | | | |
| Chase | 2024 | 2,744,599 | 326,541 |
| Greeley | 2024 | 3,633,854 | 335,703 |
| Jefferson | 2024 | 128,208 | 742,436 |
| Madison | 2024 | 5,013,370 | 1,429,021 |
| **Department receipts not positive** | | | |
| Pawnee | 2024 | −32,997 | 363,364 |
| **Audit receipts net of a transfer out of the fund** | | | |
| Washington | 2023 | 193,415 | 904,915 |

**Notes:** Dollars. Each panel is one reason for a correction. Curry (2021), audit and Department receipts are the three series of this appendix. Audit receipts are the tax the audit records, in any year. "Far from" means a factor of five or more, in either direction, for Curry (2021) receipts and a factor of three or more for Department receipts. "Original" is the amount before the correction, and "Corrected" is the amount in the estimates. For York in 2019 I also subtract interest printed separately.

## A.2 The county audits

Each county is audited every year, by the Nebraska Auditor of Public Accounts, a state office, or by a private accountant. The office publishes the audits in its audit database. I downloaded 1,487 audits for fiscal years 2009 to 2024. From each audit I take the cash statement of the governmental funds: total receipts, disbursements, transfers, bond proceeds, and cash at the start and the end of the year. I correct amounts misread from the PDFs by hand.

I keep a county-year only if its amounts pass at least one of four consistency checks.[4] The county saving estimates need only the cash balances, so they use slightly more county-years than the county spending estimates. No audit of Boyd, Fillmore, Pawnee or Sherman enters the audited county-years. Inheritance tax windfalls do not significantly predict which county-years are kept (Online Supplement, Table SA.2).

### A.3 The adopted budgets

Counties file their adopted budgets with the same office, which publishes them in two forms. First, the budget database covers fiscal years 2001 to 2026. Second, the filed budget is the county's own document, online for some county-years. I take the property tax request, taxable valuation, budgeted disbursements and transfers, and outstanding debt from the budget database.

I compare the budget database with the Department of Revenue's taxable values, with the property tax rates that the audits state, and with each county's neighboring years. Where it disagrees, I read the filed budget. In 25 county-years the budget database is wrong, and I use the filed budget. In two county-years with no filed budget online, I use the Department's taxable value. Merrick County's request for 2007 is zero in the budget database and left out.

The property tax rate is the request divided by taxable valuation, leaving out the part of the request that pays for bonds. The state limit applies to this rate. Over 1,858 year-to-year changes from 2005 to 2024, the rate is unchanged in 3%, falls in 53% and rises in 44%. The median absolute change is 1.2 cents per $100 of valuation, and one absolute change in ten exceeds 4.4 cents.

Filed budgets also estimate inheritance tax receipts. I take the estimate in the budget adopted for the windfall year for the 45 largest inheritance tax windfalls relative to the budget, 2014 to 2024, outside the metropolitan counties. The median estimate is 20% of the inheritance tax windfall. Only 8 of the 45 estimates are at least half of the inheritance tax windfall. Counties adopt their budgets after the fiscal year begins, so part of the tax may already have arrived when the estimate is made. Pawnee County's budget for 2014, adopted on 10 September 2013, estimated $1,062,160 against $1,132,810 received.

[4] First, cash at the end equals cash at the start plus receipts less disbursements, within 1 percent of disbursements. Second, the audit's reported change in cash matches its two balances. Third, its disbursements match that office's audit database for 2009 to 2011. Fourth, its balances match the audits of the years before and after. A county-year that passes is still dropped in two cases. First, its reported change in cash or that database's disbursements contradict its amounts. Second, the amount read as the statement's total is below its first column, unless I confirm that the statement's first column is the total. Years with a bond issue usually fail the first check. For the cash balances alone, a match with one neighboring audit suffices, unless cash at the end contradicts that database. Audits whose cash statement is missing or could not be extracted do not enter the audited county-years.

# B Descriptive statistics

The largest inheritance tax windfall equals 56% of budgeted spending, against a median of 2.2% (Table B.1).

**Table B.1: The size of the inheritance tax windfalls**

| | *N* | Mean | 10th | 25th | Median | 75th | 90th | 99th | Largest |
|---|---|---|---|---|---|---|---|---|---|
| *Percent of budgeted spending* | | | | | | | | | |
| County-years 2010–2024 | 1,388 | 2.9 | 0.6 | 1.3 | 2.2 | 3.6 | 5.7 | 12.8 | 55.9 |
| County-years 2004–2024 | 1,946 | 2.8 | 0.7 | 1.2 | 2.2 | 3.6 | 5.4 | 12.3 | 55.9 |
| *Thousands of dollars* | | | | | | | | | |
| County-years 2010–2024 | 1,388 | 708 | 39 | 134 | 353 | 749 | 1,280 | 8,828 | 26,491 |
| County-years 2004–2024 | 1,946 | 617 | 32 | 106 | 285 | 632 | 1,131 | 8,394 | 26,491 |

**Notes:** The inheritance tax windfall is the inheritance tax a county receives in a fiscal year. Budgeted spending is the denominator $S_{ct}$ of equation (1), the disbursements and transfers authorized by the budget for the year before. The columns give the mean, the percentiles and the largest value. County-years are those of all counties with an inheritance tax windfall and its two lags, in 2010 to 2024, the years of the audited outcomes, and in 2004 to 2024, the years of the property tax request. Dollars are current dollars.

# C Additional estimates

This appendix reports the full estimates, other receipts, county spending by function and the choice of denominator.

## C.1 Estimates and timing tests

For the windfall year and the next, the estimates of Figure 1 are printed with their standard errors and sample sizes, together with other receipts (Table C.1). Inheritance tax receipts are summed over the windfall year and the next, while Figure 1 shows the receipts of each year. County saving and county spending do not move significantly before an inheritance tax windfall, while the property tax request rises (Table C.2).

## C.2 Other receipts

Other receipts are the audited receipts less inheritance tax receipts. By the end of the following year they rise by 0.37 dollars per windfall dollar. This rise is neither the inheritance tax nor interfund transfers counted twice, for two reasons. First, subtracting the tax as the audit records it gives a rise of 0.40, against 0.39 on the same county-years. Second, no audit among the audited county-years counts interfund transfers in its receipts. In the windfall year, the rise is 0.28 in audits that do not print the inheritance tax on its own line and 0.06 in the others, and the difference is not significant. The rise is outside taxes, interest and intergovernmental receipts (Online Supplement SA.D.2).

The estimated flows account for most of county saving by the end of the following year (Online Supplement SA.D.3).

## C.3 County spending by function

By the end of the following year, county spending rises by 0.38 dollars per windfall dollar on roads, 0.06 on general government and 0.05 on public safety. I estimate each on the county-years whose audits print it, so the three do not add up to total county spending. On the county-years that print both general government and public safety, spending on those two rises by 0.11 and spending on everything else by 0.56. Capital outlay rises by 0.73, but the estimate is not significant at the 5 percent level and rests on only 37 counties.

### C.4 The denominator

In every baseline estimate I divide the inheritance tax windfall and the outcome by the county's budget for the year before, so that large and small counties can be compared. County spending is smaller with an earlier budget as the denominator: 0.29 dollars per windfall dollar with the county's average budget for 2001 to 2008, and 0.40 with its budget four years earlier (Table 2). With the budget four years earlier, county spending already moves significantly before the windfall year, so that estimate fails the timing test. With the average budget, it passes only just (Online Supplement SA.B.2). The likely reason is that counties grow. A growing county receives more inheritance tax and spends more, so against an earlier budget both rise even before the windfall year. The budget of the year before grows with the county, so dividing by it removes that growth.

## Table C.1: Responses to an inheritance tax windfall

| Outcome | Year 0 | Year 1 | $N$ | Counties |
|---|---|---|---|---|
| County saving | 1.14 | 0.90 | 965 | 84 |
| | (0.11) | (0.25) | | |
| County spending | 0.03 | 0.68 | 957 | 84 |
| | (0.09) | (0.18) | | |
| Property tax request | 0.00 | 0.02 | 1,944 | 93 |
| | (0.02) | (0.04) | | |
| Inheritance tax receipts | 0.99 | 0.94 | 1,388 | 93 |
| | (0.01) | (0.03) | | |
| Other receipts | 0.16 | 0.37 | 957 | 84 |
| | (0.10) | (0.19) | | |

**Notes:** Each cell is $\beta_h$ from equation (1), in dollars per windfall dollar, with the standard error clustered by county in parentheses. Year 0 is the year the inheritance tax windfall arrives, year 1 the year after. County spending and the two receipt lines are cumulated from year 0. County saving is the change in the cash balance from year $-1$. The property tax request is the request in the budget adopted during the year, relative to the budget for year $-1$, for all counties from 2004. $N$ and counties refer to year 0. Statements of significance in the text use the unrounded estimates. County saving, county spending and other receipts use audited county-years, and inheritance tax receipts all counties, fiscal years 2010 to 2024. Other receipts are the audited receipts less inheritance tax receipts. The timing tests are in Table C.2.

## Table C.2: Timing tests

| Outcome | Placebo | Joint test, years $-4$ to $-2$, $p$ |
|---|---|---|
| Property tax request, 2004–2024 | 0.055 | $<0.01$ |
| | (0.015) | |
| Property tax request, 2010–2024 | 0.065 | $<0.01$ |
| | (0.019) | |
| County saving | 0.041 | 0.39 |
| | (0.063) | |
| County spending | $-0.025$ | 0.50 |
| | (0.100) | |
| Other receipts | 0.026 | 0.90 |
| | (0.070) | |
| Inheritance tax receipts | $-0.009$ | |
| | (0.004) | |

**Notes:** Year 0 is the windfall year. "Placebo" is the coefficient on next year's inheritance tax windfall, $w_{c,t+1}$, added to the year-0 regression of equation (1), with the standard error clustered by county in parentheses. The joint test, the timing test of the text, is that the inheritance tax windfall does not predict the outcome's level in years $-4$, $-3$ and $-2$, relative to year $-1$. The property tax request appears for all counties from 2004 and for all counties from 2010. County saving, county spending and other receipts use audited county-years, and inheritance tax receipts all counties, fiscal years 2010 to 2024. Other receipts are the audited receipts less inheritance tax receipts. Inheritance tax receipts have no joint test. Each of years $-4$ to $-2$ uses the data available: for audited outcomes, year $-4$ starts with windfall year 2013.