Online Supplement

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

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SA.A Checks on inheritance tax receipts

For most years, the inheritance tax windfalls come from Curry (2021) or from the Department of Revenue, so I check them against the county audits and the next filed budgets. Where the cash statement prints the tax on its own line, 87% of the amounts in Curry (2021) that I left unchanged are within 5 percent of it. Of the 43 next budgets I read, 39 are within 5 percent of the inheritance tax windfall.

SA.A.1 Comparison with the cash statements

On the 402 county-years whose cash statement prints the inheritance tax on its own line, 258 carry an unchanged amount of Curry (2021), and 87% of those are within 5 percent of the audit. In fiscal years 2021 to 2023 the two agree by construction: both come from the same audit. The one correction of those years in Table A.1, Washington 2023, is on a county-year without the line.

After the corrections of Table A.1, none of the 402 inheritance tax windfalls is more than three times or less than a third of the audit's amount. Two of these corrections match the next filed budgets: for Custer and Banner in fiscal year 2016, the budget is within 2 percent of the audit's amount.

6 of the 402 still differ from the audit's amount by more than a factor of two. With the audit's amount in their place, county saving is 1.14 dollars per windfall dollar, county spending 0.67 and the property tax request 0.02, close to the baseline. On the county-years whose audits print the line in the windfall year and the year before, county spending goes from 0.60 to 0.58.

SA.A.2 Comparison with the next filed budget

The next filed budget reports the inheritance tax of the windfall year. I check it for the 100 largest inheritance tax windfalls relative to the budget in fiscal years 2013 to 2024, outside the metropolitan counties. I skip the 57 scanned budgets and read the other 43 by eye. Of these, 39 are within 5 percent of the inheritance tax windfall and 24 equal it to the dollar.

4 next budgets differ by more than 5 percent (Table SA.1). All 4 of these inheritance tax windfalls come from Curry (2021). For Deuel in 2013 and Grant in 2017 the audit is within $62 of the amount in Curry (2021). For Perkins in 2013 the audit's government-wide statement of activities matches the next budget. Merrick's 2013 amount differs from its next budget by a round sum. Its inheritance tax fund schedule records more than either. The Merrick and Perkins

Table SA.1: Inheritance tax windfalls that differ from the next filed budget

County	Fiscal year	Inheritance tax windfall	Next budget	Source of the amount
Deuel	2013	709,927	746,401	Curry (2021)
Grant	2017	119,160	134,550	Curry (2021)
Merrick	2013	621,891	321,891	Curry (2021)
Perkins	2013	468,978	431,541	Curry (2021)

Notes: Dollars. Year 0 is the windfall year. Inheritance tax windfalls, among the 43 budgets I read, whose next filed budget reports an inheritance tax for year 0 more than 5 percent away from the inheritance tax windfall. "Next budget" is that reported amount. Grant's next budget adds an interfund transfer into the inheritance tax fund.

amounts are less than five times and more than a fifth of the audit's record, so I do not correct them (Appendix A.1).

SA.B Identification of the responses

The estimates for county saving and county spending are causal if the size of the inheritance tax windfall is as good as random given the county's history and the year. In the baseline, county saving and county spending do not move significantly before it arrives, but the property tax request already rises. County saving also rises with the part that deaths predict and in a stacked event study of large inheritance tax windfalls.

SA.B.1 Predictors of the inheritance tax windfall

Past inheritance tax windfalls explain little of the next one: the five lags and two years of valuation growth give a within R^2 of 0.02 (1,667 county-years in 93 counties, 2007 to 2024). The lags are jointly significant at the 1 percent level, and equation (1) controls for two of them.

County saving, county spending and the cash balance do not predict the inheritance tax windfall, but two budget variables do (Table SA.2). On county-years audited in the two prior years, five variables are not jointly significant: county saving, the change in county spending, the cash balance, the change in the request and valuation growth. On the adopted budgets of all counties, the change in the request, budget growth and valuation growth are jointly significant. A larger rise in the request between the two budgets before the windfall year goes with a larger inheritance tax windfall. Faster budget growth goes with a smaller inheritance tax windfall as a share of the budget.

County saving and county spending respond to an inheritance tax windfall's deviation from its five-year average as they do to the whole (Table SA.3). I decompose each inheritance tax windfall into the county's average over the five previous years and the deviation from that average. Per dollar of deviation, county saving rises by 1.15 dollars in the windfall year and county spending by 0.68 by the end of the following year. Per dollar of the whole inheritance tax windfall, the two rise by 1.14 and 0.68. County saving also rises with the five-year average, by 1.04.

Table SA.2: Predictors of the inheritance tax windfall

	All counties, 2004–2024	Audited county-years
Coefficients on the county's budget and audit variables before the inheritance tax windfall		
Change in the request, $t-2$ to $t-1$	0.114	0.132
	(0.040)	(0.080)
Budget growth, $t-2$ to $t-1$	−0.010	
	(0.003)	
Valuation growth, $t-1$	0.002	0.010
	(0.015)	(0.025)
County saving, $t-2$ to $t-1$		0.011
		(0.016)
Change in county spending, $t-2$ to $t-1$		0.005
		(0.012)
Cash balance at the end of $t-1$		−0.003
		(0.017)
Joint test, p	<0.01	0.46
N	1,944	891

Notes: Each column regresses the inheritance tax windfall w_{ct} on the listed variables and on its two lags and the valuation growth control of equation (1), with county and year effects. Standard errors clustered by county in parentheses. Variables in dollars are divided by budgeted spending of $t-1$. Passing the consistency checks does not depend significantly on the inheritance tax windfall. I regress an indicator for passing on the inheritance tax windfall, its two lags, valuation growth and county and year effects, outside the three metropolitan counties. The coefficient is 0.27 (0.27). Budget growth is the proportional change in budgeted spending. The first column uses the adopted budgets of all counties from 2004, the second the county-years from 2011 with audits in the two years before. "Joint test" tests that the listed coefficients are zero. The five variables of the second column add 0.010 to the within R^2, and the three of the first column add 0.010.

Table SA.3: Responses to the inheritance tax windfall's deviation from its five-year average

	County saving *windfall year*	County spending *windfall year*	County spending *over two years*	Property tax request *over two budgets*
Inheritance tax windfall less five-year average	1.15	0.04	0.68	0.00
	(0.11)	(0.09)	(0.18)	(0.04)
Five-year average	1.04	0.22	0.83	−0.07
	(0.28)	(0.26)	(0.71)	(0.18)
N	965	957	836	1,666

Notes: Estimates are in dollars per windfall dollar. Each column regresses the outcome of equation (1) on the inheritance tax windfall less the average of the county's five previous inheritance tax windfalls and on that average. Valuation growth and county and year effects enter as controls. Inheritance tax windfalls are shares of budgeted spending. County saving and county spending use audited county-years, fiscal years 2010 to 2024. The property tax request runs from 2007, because the average needs five lags. Standard errors clustered by county in parentheses.

SA.B.2 The timing test and its power

County saving and county spending pass the timing test, which compares each outcome two, three and four years before the windfall year with the year before it (Table SA.4). Both pass with each of three controls: valuation growth, the inverse of the budget and county linear trends. With the budget for year $t-4$ as the denominator, county spending fails the test at the 5 percent level. With the county's average budget for 2001 to 2008, it passes narrowly.

A linear pre-trend that the timing test detects 80 percent of the time would bias county spending by 0.37 dollars per windfall dollar, against an estimate of 0.68 (Table SA.4). The power calculation follows Roth (2022). For county saving the bias would be 0.14, against an estimate of 1.14. The trend fitted to the earlier years is negative, so subtracting it raises county saving to 1.16 and county spending to 0.73.

The property tax request fails the timing test at the 1 percent level with each of the three controls (Table SA.4). It still fails at the 5 percent level with its own rise between the two budgets before the windfall year as a control. Net of the trend in the earlier years carried forward, the request falls by 0.07 dollars per windfall dollar, significant at the 10 percent level but not at 5. That estimate rules out a cut above 15 cents. If the earlier rise stops when the inheritance tax windfall arrives, no estimate in Table C.1 or Table 2 allows a cut above 9 cents.

Table SA.4: The timing test under the controls, and its power

	County saving	County spending	Property tax request
Joint test, years −4 to −2, p			
Baseline	0.39	0.50	<0.01
Valuation growth $t-2$ to $t+1$	0.37	0.42	<0.01
Inverse of the budget	0.38	0.55	<0.01
County linear trends	0.19	0.41	<0.01
Change in the request, $t-2$ to $t-1$ (years −4 and −3)			0.02
Denominator: average budget, 2001–2008		0.0502	
Denominator: budget four years earlier		0.039	
A linear pre-trend the test would detect			
Estimate	1.14	0.68	0.02
Bias from a trend detected half the time	0.10	0.27	0.03
Bias from a trend detected 80% of the time	0.14	0.37	0.05
The pre-trend carried forward			
Trend per year	−0.012	−0.016	0.042
	(0.042)	(0.037)	(0.007)
Estimate net of the trend	1.16	0.73	−0.07
	(0.11)	(0.24)	(0.04)

Notes: Estimates, biases and trends are in dollars per windfall dollar. Year 0 is the windfall year. County saving and county spending use audited county-years, fiscal years 2010 to 2024, and the property tax request all counties from 2004. Each of years −4 to −2 uses the data available: for audited outcomes, year −4 starts with windfall year 2013. County saving in year 0, county spending by the end of the following year, and the property tax request over the budgets adopted in year 0 and the next. The first panel gives the timing test, which tests jointly that the inheritance tax windfall does not predict the outcome one, two and three years before year −1. Each row below the baseline adds a control, except the last two, which measure county spending on an earlier budget instead of last year's: the average for 2001 to 2008, or the budget for year $t-4$. With the change in the request as a control, year −2 equals minus the control, so the test covers years −4 and −3. The second panel takes a trend in the outcome's level, linear in years and zero in year −1. The joint test detects this trend with the stated probability. The panel reports the bias it puts in the estimate. Power comes from the noncentral chi-squared distribution with three degrees of freedom. In the third panel I fit that trend to years −4 to −2 by generalized least squares, with their covariance, and subtract its extrapolation from the estimate. Bounds on a cut in the text are the lower ends of 95 percent intervals, from unrounded estimates and rounded outward. Standard errors clustered by county in parentheses.

SA.B.3 Deaths as an instrument

Deaths give variation in the inheritance tax windfall that the county board does not choose. Last year's deaths in the county predict the inheritance tax windfall, and the county's budget and audit variables do not predict deaths.

Deaths by county come from the Census Bureau's county population estimates, whose year runs from July to June like the county fiscal year. I leave out the deaths of fiscal years 2010 and 2020, because the estimates for those years count only the quarter after the census. The death rate averages 11.4 per 1,000 residents.

One more death per 1,000 residents last year raises the inheritance tax windfall by 0.13% of the budget. The first-stage F is 10.0 on all counties from 2004, 19.6 for county saving and 11.1 for county spending (Table SA.5). Neither set of variables in Table SA.2 jointly predicts last year's death rate.

Two-stage least squares gives county saving of 1.67 dollars per windfall dollar in the windfall year, against 1.14 by least squares on all audited county-years (Tables SA.5 and C.1). The

Anderson–Rubin test, valid with a weak first stage, rejects a zero response at the 1 percent level. The test does not reject the least-squares estimate. For county spending and the property tax request, the reduced form is imprecise and the test does not reject zero.

Table SA.5: Responses through last year's deaths

	County saving *windfall year*	County spending *over two years*	Property tax request *over two budgets*
Reduced form: last year's death rate	0.0023	0.0002	0.0000
	(0.0008)	(0.0021)	(0.0004)
Two-stage least squares	1.67	0.17	0.01
	(0.64)	(1.60)	(0.30)
First-stage F	19.6	11.1	10.0
Anderson–Rubin p	0.007	0.913	0.978
Budget and audit variables predict the death rate, p	0.166	0.166	0.150
Least squares (Table C.1)	1.14	0.68	0.02
N	841	718	1,759

Notes: Least squares and two-stage least squares estimates are in dollars per windfall dollar, and the reduced form in shares of the budget per death per 1,000 residents. The instrument is the county's deaths per 1,000 residents in the previous fiscal year. An instrument built from deaths and the county's receipts per death in its other years is weak (first-stage F of 0.2). The first stage, the reduced form and two-stage least squares have the inheritance tax windfall's two lags, valuation growth, and county and year effects, as in equation (1). The reduced form regresses the outcome on the instrument. Two-stage least squares instruments the inheritance tax windfall with it. The row "Least squares" uses the samples of Table C.1, and N is the sample of the first stage, the reduced form and two-stage least squares. The Anderson–Rubin p-value tests that the response is zero. That p-value is the reduced form's and does not depend on the first stage's strength. The row on the death rate tests jointly that the variables of Table SA.2 do not predict last year's death rate. For county saving and county spending the test covers the five variables on audited county-years in that table, and for the request the three variables on all counties. Both tests use the county-years with last year's deaths. County saving and county spending use the audited county-years, the request the adopted budgets of all counties from 2004. Standard errors clustered by county in parentheses.

SA.B.4 Stacked event study

For county saving and county spending, a stacked event study agrees with the local projections at the 5 percent level (Table SA.6 and Figure SA.1). It compares counties with a large inheritance tax windfall only with counties that had none that large in the surrounding years. The local projections instead compare inheritance tax windfalls of different sizes in every year. When responses differ across counties, the local projections can put negative weight on some of these comparisons. The event study cannot.

An event is a county-year whose inheritance tax windfall is in the top tenth of all county-years from 2004, above 5.4% of budgeted spending. I keep it when the county has no other such year from four years before to three years after, and its controls are the counties with none in those years. Each fiscal year forms one stack, with stack fixed effects (Cengiz et al., 2019). I weight each stack's controls by the stack's share of the events divided by its share of the controls (Wing, Freedman and Hollingsworth, 2024). I instrument the change in inheritance tax receipts in the windfall year with the event (first-stage F at least 22).

In the windfall year, county saving rises by 1.14 dollars per windfall dollar, as in the local projection. By the end of the following year, county spending has risen by 0.83, against 0.68 in the local projection. County saving is then 1.74 against 0.90, with a larger standard error. Before the event, none of the six coefficients for county saving and county spending is significant at

the 5 percent level. Under a wild cluster bootstrap of the reduced form, county saving in the windfall year is significant at the 1 percent level. County spending by the end of the following year is significant at the 5 percent level.

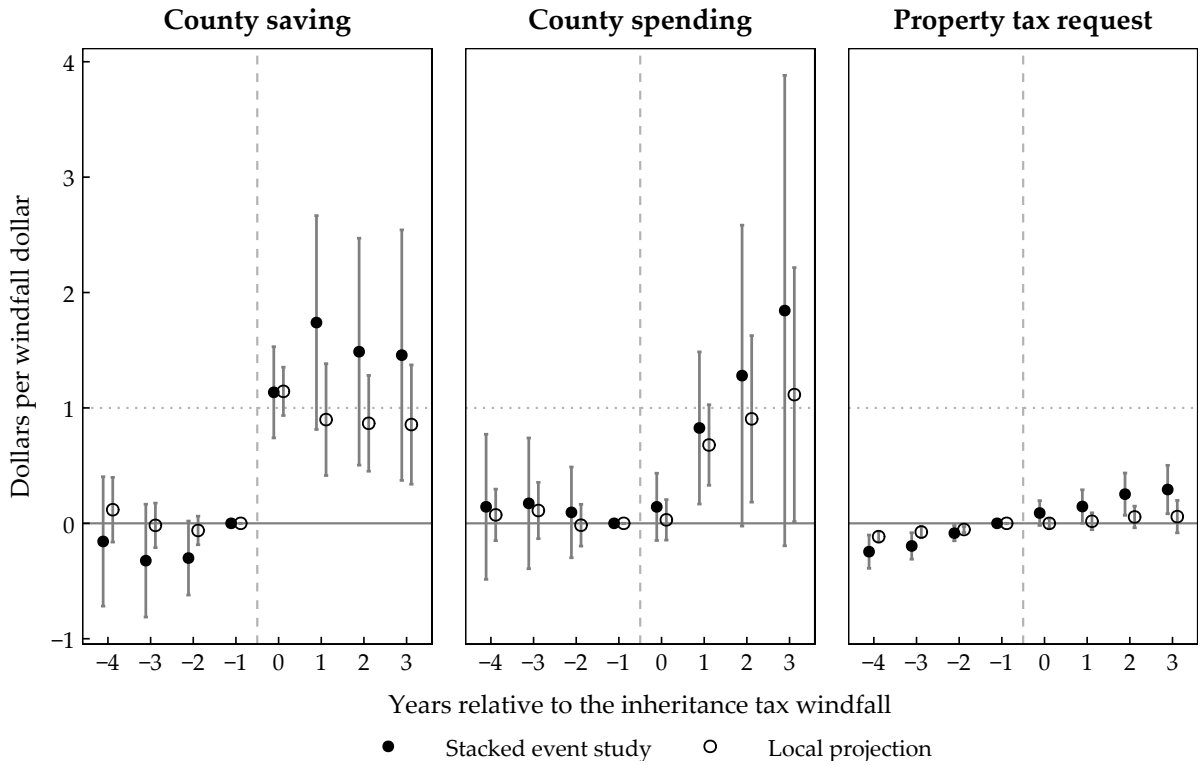
The property tax request rises before the event, as in the local projections, and keeps rising after it. Over two budgets it rises by 0.15 dollars per windfall dollar, significant at the 5 percent level under the same bootstrap.

Table SA.6: Stacked event study of large inheritance tax windfalls, and local projection

	Stacked event study		Local projection	
	Year 0	Year 1	Year 0	Year 1
County saving	1.14	1.74	1.14	0.90
	(0.20)	(0.47)	(0.11)	(0.25)
County spending	0.14	0.83	0.03	0.68
	(0.15)	(0.34)	(0.09)	(0.18)
Property tax request	0.09	0.15	0.00	0.02
	(0.05)	(0.07)	(0.02)	(0.04)

Notes: Dollars per windfall dollar, with standard errors clustered by county in parentheses. Year 0 is the windfall year, year 1 the year after. An event is an inheritance tax windfall in the top tenth, above 5.4% of budgeted spending, in a county with no other such year from four years before to three years after. The event study uses stack fixed effects and two-stage least squares, with the event as the instrument for the change in inheritance tax receipts. County spending is cumulated from year 0, and county saving and the property tax request are levels relative to year −1. The samples have 38 events for county saving in year 0, 29 for county spending by the end of the following year and 77 for the property tax request over two budgets. The local projection columns repeat Table C.1. County saving and county spending: audited county-years, 2010–2024. Property tax request: all counties, 2004–2024.

Figure SA.1: Stacked event study of large inheritance tax windfalls, and local projection



Notes: Each point is a response in dollars per windfall dollar, with a 95% interval from standard errors clustered by county. Filled points: the stacked event study of this section, with the events and samples of Table SA.6. Open points: the local projections of Figure 1. Every point is relative to the year before the inheritance tax windfall. The dotted line marks one dollar, and the dashed line separates that year from the windfall year. County spending is cumulated from the windfall year, and each point before it is that year's county spending relative to the year before the inheritance tax windfall.

SA.C Robustness checks

I change the estimator, the denominator, the sample and the inference. County saving and county spending rise in every check but one: county spending between the 90th and 99th percentiles of the inheritance tax windfall. The property tax request does not fall significantly at the 5 percent level in any of these checks.

SA.C.1 Estimator and specification

Across the estimators and specifications of Table SA.7, county saving rises by more than a dollar per windfall dollar, except in the specification in dollars. County spending is positive in each, but imprecise in the specification in dollars and without the largest third of inheritance tax windfalls.

With distributed lags, county spending by the end of the following year is 0.48 dollars per windfall dollar, below the local projection's 0.68 (Table SA.7). Two years after the inheritance tax windfall it reaches 0.75 (Table SA.10).

In a regression of dollars on dollars, county saving rises by 0.56 dollars per windfall dollar and county spending by 0.30, both imprecise. The property tax request rises by 0.48, mostly because of Douglas County. Its request is 37 times that of the median county. The request changes by 0.14 without Douglas and by -0.06 without the three metropolitan counties.

The property tax request rises less after larger inheritance tax windfalls: the square of the inheritance tax windfall is significant at the 1 percent level (Table SA.7). The square is not significant for county saving or county spending. The request rises by 0.13 dollars per windfall dollar at the median inheritance tax windfall and by 0.10 at the 90th percentile.

Most of the precision comes from the larger inheritance tax windfalls (Table SA.7). Dropping the smallest third gives county saving of 1.15 dollars per windfall dollar and county spending of 0.67. Without the largest third, county saving is 1.77 and county spending 1.36. Neither can be told apart from the baseline.

The property tax rate does not fall significantly. At the 90th percentile of the inheritance tax windfall (5.4% of the budget, all county-years from 2004), the rate changes by -0.18 cents per $100 of valuation over two budgets. The median rate is 31 cents.

Table SA.7: Estimators and specifications

	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)
Distributed lags	1.15	0.48	0.01
	(0.11)	(0.19)	(0.04)
Dollars on dollars	0.56	0.30	0.48
	(0.50)	(0.47)	(0.09)
Douglas dropped			0.14
			(0.10)
Douglas, Lancaster and Sarpy dropped			−0.06
			(0.04)
Top third of inheritance tax windfalls dropped	1.77	1.36	0.17
	(0.56)	(1.22)	(0.13)
Bottom third of inheritance tax windfalls dropped	1.15	0.67	−0.04
	(0.12)	(0.20)	(0.06)
Property tax rate, cents per $100 of valuation			−3.31
			(2.49)
Square added: response at the median	1.29	0.67	0.13
at the 90th percentile	1.22	0.67	0.10
square of the inheritance tax windfall, p	0.14	0.96	<0.01
Corrected receipts dropped in turn: lowest	1.13	0.67	0.02
highest	1.15	0.72	0.02

Notes: Estimates are in dollars per windfall dollar. County saving and county spending: audited county-years, fiscal years 2010 to 2024. Property tax request and rate: all counties from 2004. "Distributed lags": the annual change in each outcome on the inheritance tax windfall and its three lags, each divided by budgeted spending of $t-1$, with valuation growth and county and year effects as controls. I sum the coefficients to the stated horizon, and sum them twice for county spending, because its outcome is already a sum of annual flows. "Dollars on dollars": equation (1) in dollars, without dividing by the budget, and for the request also without Douglas and without the three metropolitan counties. Tercile rows: without the top third, or the bottom third, of each column's inheritance tax windfalls (for county saving, above 3.2% or below 1.7% of the budget). "Property tax rate" replaces the request with the change in the rate, in cents per $100 of valuation per unit of w_{ct}, over the same two budgets. In the next three rows the square of the inheritance tax windfall enters beside the inheritance tax windfall. I evaluate the response at the median and the 90th percentile of the inheritance tax windfall in each column's sample. The last two rows give the lowest and highest estimate when I drop in turn each corrected receipt of Table A.1, and the Pawnee inheritance tax windfall of fiscal year 2014. Pawnee can affect only the request, because no Pawnee audit is among the audited county-years. Each drop removes every county-year in which that inheritance tax windfall enters: as next year's inheritance tax windfall, as the treatment or as a lag. Standard errors clustered by county in parentheses.

SA.C.2 Denominator, sample and controls

Local income from the Bureau of Economic Analysis (BEA) does not predict the inheritance tax windfall. Personal income growth in three calendar years around the windfall year and the change in farm income are not jointly significant, for all counties from 2010 or from 2004. With income in calendar years $t-1$ and $t-2$ as a control, county saving is 1.14 dollars per windfall dollar, county spending 0.68 and the property tax request 0.02 (Table SA.8).

County saving and county spending still rise with lagged outcomes or budget variables as controls. Two lags of the outcome's own change give county saving of 1.09. County spending falls to 0.46. Part of the fall comes from the sample: on the same county-years without the lags,

it is 0.61. With the two budget variables of Section SA.B.1 as controls, county saving is 1.11 and county spending 0.66. On the same county-years without them, the two are 1.14 and 0.68.

County saving stays close to a dollar per windfall dollar with every denominator (Table SA.8). With population as the denominator, county spending is smaller, at 0.45, and significant at the 5 percent level. With taxable valuation it is 0.39, not significant. With the two earlier budgets as the denominator it is 0.29 and 0.40 (Table 2).

The property tax request does not fall significantly at the 5 percent level with any denominator. Its most negative estimate, -0.07 on audited disbursements, is significant at the 10 percent level. On the same county-years with the baseline denominator it is -0.02. Weighted by the budget, the request rises by 0.08, which is significant at the 5 percent level. Without a correction for its earlier rise, every row of Table SA.8 outside the slope and placebo rows rules out a cut above 16 cents per windfall dollar.

On the audits read with optical character recognition (OCR) software, county saving is 1.37 and county spending 1.34. Both exceed the baseline and are less precise.

Where the cash statement prints the inheritance tax on its own line in the windfall year, I use that line as the treatment. County saving is then 0.96 (49 counties) and county spending 0.61. On these county-years the line and the inheritance tax windfall almost coincide. The check therefore says nothing about county-years without the line.

Without the inheritance tax windfalls above the 99th percentile, county spending falls to 0.45 (Table 2). It still does not come only from the largest ones. I let the responses be piecewise linear, with knots at the 90th and 99th percentiles of the inheritance tax windfall (Table B.1). The slope of county spending is 1.34 below the 90th percentile and 1.22 above the 99th, both significant at the 5 percent level (Table SA.8). Between the two it is -0.40, too imprecise to interpret.

The average inheritance tax windfall of the bordering counties is not significant for any of the three outcomes, with the county's own inheritance tax windfall controlled for (Table SA.8). Its county spending coefficient of 0.51 is too imprecise to rule out a regional component. With this control, the responses to the county's own inheritance tax windfall are 1.14 for county saving and 0.69 for county spending.

Table SA.8: Denominator, sample and controls

	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)
Controls and specification			
Personal income growth, change in farm income	1.14	0.68	0.02
	(0.10)	(0.17)	(0.04)
Two lags of the outcome's change	1.09	0.46	0.03
	(0.12)	(0.16)	(0.04)
Valuation growth $t-2$ to t	1.14	0.68	0.02
	(0.11)	(0.18)	(0.04)
Weighted by the budget S_{ct}	1.24	0.71	0.08
	(0.18)	(0.29)	(0.04)
Denominator			
Population	1.01	0.45	−0.04
	(0.07)	(0.18)	(0.02)
Taxable valuation two years earlier	0.97	0.39	−0.02
	(0.10)	(0.24)	(0.03)
Audited disbursements in $t-1$	1.01	0.71	−0.07
	(0.08)	(0.14)	(0.03)
Sample			
County-years with all three outcomes	1.11	0.67	0.04
	(0.11)	(0.18)	(0.05)
Audits read with OCR software	1.37	1.34	−0.04
	(0.24)	(0.54)	(0.06)
Treatment from the audits' own inheritance tax line			
Least squares	0.96	0.61	0.08
	(0.10)	(0.17)	(0.07)
Instrumented by the inheritance tax windfall	0.96	0.63	0.08
	(0.10)	(0.16)	(0.07)
Slope by size of the inheritance tax windfall			
Up to the 90th percentile	1.36	1.34	0.24
	(0.29)	(0.54)	(0.08)
90th to 99th percentile	1.04	−0.40	−0.13
	(0.28)	(0.66)	(0.08)
Above the 99th percentile	0.88	1.22	−0.07
	(0.13)	(0.29)	(0.07)
Placebo			
Bordering counties' inheritance tax windfall	−0.03	0.51	−0.06
	(0.17)	(0.41)	(0.06)

Notes: Each cell is β_h from equation (1), in dollars per windfall dollar, with the standard error clustered by county in parentheses. Year 0 is the windfall year. Columns: county saving in year 0, county spending summed over years 0 and 1, and the property tax request over the budgets adopted in years 0 and 1. County saving and county spending use audited county-years, fiscal years 2010 to 2024. The request uses all counties from 2004 except in the rows county-years with all three outcomes, audits read with OCR and the audits' own inheritance tax line, which start in 2010. The taxable valuation row starts in 2005 and the audited disbursements row in 2012, and the request in that last row uses only county-years with audited disbursements. With lags of the outcome, county saving and county spending start in 2012, since the lags need three earlier audits. The OCR row keeps audits read with OCR. Income: growth of BEA county personal income and the change in farm income relative to personal income, in calendar years $t-1$ and $t-2$. Calendar year $t-1$ overlaps the first half of the windfall year. Lags of the outcome: its annual change in $t-1$ and $t-2$, divided by the same denominator. Valuation growth: adds taxable valuation growth in $t-1$ and $t-2$. Denominator rows replace S_{ct} in the treatment and outcomes by population of calendar year $t-2$, taxable valuation of $t-2$ or audited disbursements of $t-1$. The audits' own inheritance tax line: the line of the cash statement, by least squares and instrumented by the inheritance tax windfall, with a first-stage F of at least 150,352. Slopes: one regression per outcome, piecewise linear in w_{ct}, with knots at the 90th and 99th percentiles of all counties in 2010 to 2024. Placebo: the mean w of the bordering counties (Census county adjacency file), with the county's own w_{ct} and its lags controlled for. Significance in the text uses unrounded estimates.

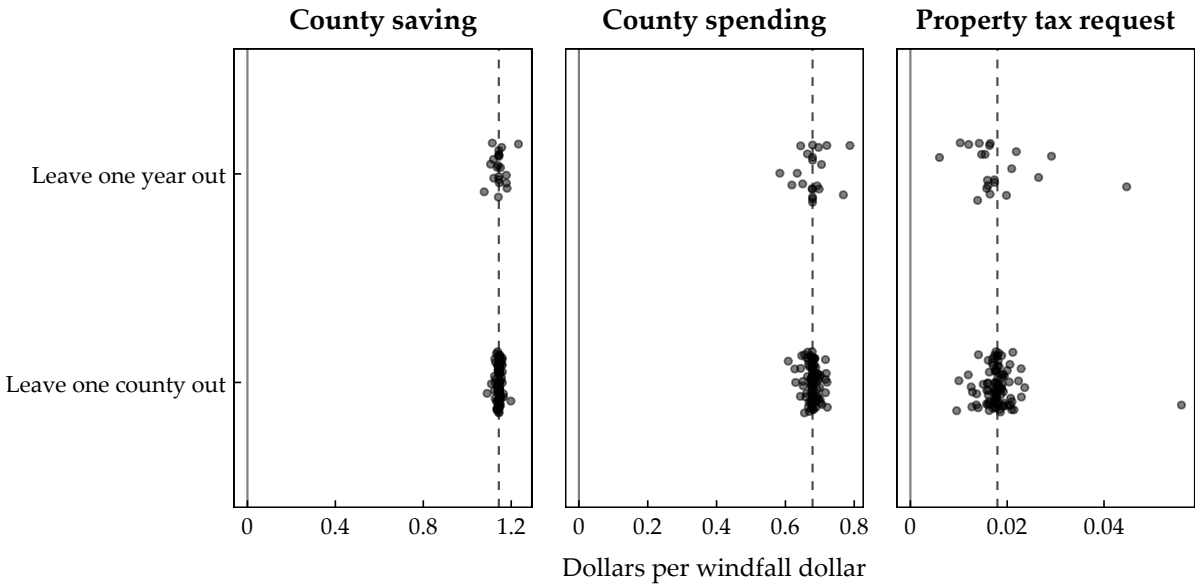
SA.C.3 Influential observations

No single county or year changes the results (Figure SA.2), and neither does any single large inheritance tax windfall. Without any one county, county saving ranges from 1.09 to 1.20 dollars per windfall dollar. County spending ranges from 0.61, without Stanton County, to 0.72. Without any one year, county saving ranges from 1.08 to 1.23 and county spending from 0.58 to 0.79.

I drop in turn each of the ten largest inheritance tax windfalls in each outcome's sample. County saving then ranges from 1.14 to 1.20 and county spending from 0.63 to 0.72. Dropping all ten together gives county saving of 1.34 and a request change of 0.09. County spending is then 0.52, not significant at the 5 percent level.

I also drop in turn each of the 22 corrected receipts (Table SA.7). I drop the Pawnee inheritance tax windfall of fiscal year 2014 as well, because Pawnee's budget for that year estimated most of it (Appendix A.3). County saving stays between 1.13 and 1.15, county spending between 0.67 and 0.72 and the request at 0.02.

Figure SA.2: Estimates with one county or one year left out



Notes: Year 0 is the windfall year. Each point is the estimate of equation (1) with one county, or one fiscal year, left out of the sample. The dashed line is the baseline estimate of Table C.1. County saving in year 0, county spending by the end of the following year, and the property tax request over the budgets adopted in year 0 and the next, in dollars per windfall dollar.

SA.C.4 Other inference

In the baseline, inference that allows for few clusters or for correlation across counties gives the same conclusions as clustering by county. Under the wild cluster bootstrap, county spending is not significant at the 5 percent level in three rows of Table 2 (Table SA.9). Two use an earlier budget as the denominator. The third drops the inheritance tax windfalls above the 99th percentile of all counties in 2010 to 2024. The property tax request is not significant at the 5 percent level in any row.

In the baseline, county saving and county spending stay significant at the 5 percent level with clustering by county and year (Cameron, Gelbach and Miller, 2011) and with the estimator of Driscoll and Kraay (1998) (Table SA.9). For these two outcomes both methods use at most 15 years, so they are less reliable than clustering by county.

I reassign each county's inheritance tax windfalls at random across its own years, 2,000 times (Table SA.9). County saving stays significant at the 1 percent level and county spending at the 5 percent level. The request is not significant.

Table SA.9: Inference

	County saving	County spending	Property tax request
Baseline	<0.001	0.002	0.681
Excluding			
Inheritance tax windfalls above the 99th percentile	<0.001	0.115	0.075
Inheritance tax windfalls above 15% before 2009			0.713
Fiscal years after 2020	<0.001	0.024	0.911
Douglas, Lancaster and Sarpy			0.709
Corrected receipts	<0.001	<0.001	0.518
Repeated or round receipts	<0.001	0.003	0.816
Bond levies in the request			0.735
Only audits			
With the inheritance tax on its own line	<0.001	0.025	0.297
Read from the PDF's own text	<0.001	0.006	0.579
Where receipts and disbursements add up	<0.001	0.002	0.340
Other denominator			
Average budget, 2001–2008	<0.001	0.400	0.546
Budget four years earlier	<0.001	0.085	0.874
Added controls			
Inverse of the budget	<0.001	0.010	0.576
Valuation growth, $t-2$ to $t+1$	<0.001	0.011	0.738
County linear trends	<0.001	0.005	0.806
Baseline, other inference			
Standard error, clustered by county	0.11	0.18	0.04
Standard error, clustered by county and year	0.13	0.16	0.04
Standard error, Driscoll–Kraay	0.12	0.18	0.02
Randomization inference, p	<0.001	0.010	0.631

Notes: The upper panels give the wild cluster bootstrap p-value with the null imposed (Cameron, Gelbach and Miller, 2008), with the weights of Webb (2023) and 9,999 draws, for each cell of Table 2. The fixed effects are partialed out first. The bootstrap draws of the baseline cells differ from the other rows'. Cutting at the 99th percentile of the county spending sample instead of all counties gives the same county spending estimate, 0.45, again not significant. The lower panel gives three standard errors for the baseline and the randomization p-value. I reassign each county's inheritance tax windfalls across its own years and rebuild the lags. The observed assignment counts as one draw beside the 2,000 random ones.

SA.D Longer horizons and decompositions

I follow county saving and county spending for three years after the inheritance tax windfall, and the property tax request for six budgets. I then decompose other receipts by line and county saving by flow. The request does not fall significantly at any horizon. Other receipts rise outside taxes, interest and intergovernmental receipts.

SA.D.1 Longer horizons

Three years after the inheritance tax windfall, county saving is still up by 0.86 dollars per windfall dollar (Table SA.10). Cumulative county spending has reached 1.12, other receipts 1.03 and inheritance tax receipts 0.73. In the adopted budgets, outstanding debt does not fall at any of the four horizons. Its rise of 0.42 three years later is significant at the 10 percent level but not at 5.

The property tax request does not fall significantly at any horizon (Table SA.11). Budgets run to fiscal year 2026, so I can follow it for six budgets on windfall years up to 2021. By the budgets adopted four and five years later it has changed by 0.09 and 0.06 dollars per windfall dollar. Without a correction for its earlier rise, these estimates rule out cuts above 7 and 15 cents per windfall dollar.

Table SA.10: Responses at every horizon

Outcome	Year 0	Year 1	Year 2	Year 3
County saving	1.14	0.90	0.87	0.86
	(0.11)	(0.25)	(0.21)	(0.26)
County spending	0.03	0.68	0.91	1.12
	(0.09)	(0.18)	(0.37)	(0.56)
Other receipts	0.16	0.37	0.70	1.03
	(0.10)	(0.19)	(0.35)	(0.48)
Inheritance tax receipts	0.99	0.94	0.86	0.73
	(0.01)	(0.03)	(0.08)	(0.16)
Property tax request	0.00	0.02	0.06	0.06
	(0.02)	(0.04)	(0.05)	(0.07)
Outstanding debt	0.02	0.02	0.19	0.42
	(0.05)	(0.09)	(0.16)	(0.24)
Distributed lags				
County saving	1.15	0.95	1.06	1.17
	(0.11)	(0.20)	(0.20)	(0.22)
County spending	0.03	0.48	0.75	1.02
	(0.09)	(0.19)	(0.32)	(0.46)
Property tax request	0.00	0.01	0.03	0.04
	(0.02)	(0.04)	(0.05)	(0.08)

Notes: Estimates are in dollars per windfall dollar. Year 0 is the windfall year. Local projections of equation (1) at horizons 0 to 3, and below them the distributed lags of Table SA.7. County spending, other receipts and inheritance tax receipts are cumulated from year 0. County saving, the property tax request and outstanding debt are levels relative to year -1. Other receipts are the audited receipts less inheritance tax receipts. Samples: for the property tax request and outstanding debt, the adopted budgets of all counties from 2004. For county saving, county spending and other receipts, audited county-years from 2010. For inheritance tax receipts, all counties from 2010. I treat a debt total of zero in a budget that levies for bonds as missing. Samples differ by outcome and horizon. Standard errors clustered by county in parentheses.

Table SA.11: The property tax request over six budgets

Budgets adopted from the windfall year to	t	$t+1$	$t+2$	$t+3$	$t+4$	$t+5$
Property tax request	0.00	0.02	0.06	0.06	0.09	0.06
	(0.02)	(0.04)	(0.05)	(0.07)	(0.08)	(0.11)
Last windfall year	2024	2024	2024	2023	2022	2021
N	1,944	1,944	1,944	1,853	1,763	1,672

Notes: Year 0 is the windfall year. Each cell is β_h from equation (1) for the change in the property tax request from the budget for year -1 to the budget for year h. All counties, windfall years from 2004. Dollars per windfall dollar, standard errors clustered by county in parentheses. Budgets run to fiscal year 2026 and windfall years to 2024, so horizon h uses windfall years up to the earlier of 2024 and 2026 $-$ h. The first two columns are those of Table C.1, and the first four those of Figure 1.

SA.D.2 Other receipts by line

The rise in other receipts (Appendix C.2) is outside taxes, interest and intergovernmental receipts, which do not rise significantly. 21 audits count interfund transfers in receipts. None of them is among the audited county-years.

Other receipts rise by 0.38 dollars per windfall dollar by the end of the following year on the 830 county-years with a taxes line in every year used (Table SA.12). "Everything else" rises by 0.47, and I do not decompose it further. Taxes net of the inheritance tax windfall change by -0.01, intergovernmental receipts by -0.08 and interest by 0.00. The difference between the audit's inheritance tax line and the inheritance tax windfall contributes -0.01.

Table SA.12: Other receipts by line

	windfall year	*over two years*
Other receipts	0.16	0.38
	(0.10)	(0.20)
Taxes, less the inheritance tax windfall where they include it	−0.11	−0.01
	(0.07)	(0.10)
Inheritance tax line less the inheritance tax windfall	0.00	−0.01
	(0.00)	(0.00)
Intergovernmental	−0.08	−0.08
	(0.06)	(0.11)
Interest	0.00	0.00
	(0.00)	(0.01)
Everything else	0.36	0.47
	(0.11)	(0.18)
N	952	830

Notes: Estimates are in dollars per windfall dollar. Year 0 is the windfall year. Other receipts are the audited receipts less inheritance tax receipts, cumulated from year 0. Each line enters equation (1) on the same county-years, those whose statement prints a taxes line in every year used. I set a line a statement does not print to zero. In a statement without an inheritance tax line, I take the inheritance tax windfall out of the taxes line unless that line is smaller than the inheritance tax windfall. "Everything else" is the remainder, so the lines add up to the total. Standard errors clustered by county in parentheses.

SA.D.3 County saving by flow

The estimated flows account for most of county saving by the end of the following year (Table SA.13). County saving is the change in the cash balance, so it is the sum of the year's flows. Inheritance tax receipts of 0.94 plus other receipts of 0.38 less county spending of 0.67 imply county saving of 0.64 dollars per windfall dollar, from the unrounded estimates. Estimated directly on the same county-years, county saving is 0.82. Of the remaining 0.18, bond proceeds account for 0.16, not significant. No other item exceeds 0.02 in absolute value.

Table SA.13: County saving by flow

	windfall year	*over two years*
Inheritance tax receipts	0.98	0.94
	(0.01)	(0.03)
Other receipts	0.15	0.38
	(0.10)	(0.20)
County spending, sign reversed	−0.03	−0.67
	(0.09)	(0.18)
Net interfund transfers	0.00	0.01
	(0.00)	(0.00)
Bond proceeds	0.01	0.16
	(0.09)	(0.18)
Net cash flow of year −1, carried forward	0.01	0.02
	(0.08)	(0.16)
Lines of the statement that do not add up	−0.01	−0.02
	(0.01)	(0.02)
Breaks between consecutive audits	0.00	0.00
	(0.00)	(0.00)
County saving, the sum	1.11	0.82
	(0.11)	(0.23)

Notes: Each cell is β_h from equation (1), in dollars per windfall dollar, with the standard error clustered by county in parentheses. The sample is the 835 county-years where the audits report every outcome in years −1, 0 and 1. Year 0 is the windfall year. h is 0 in the first column and 1 in the second. Each flow is summed over years 0 to h as its change from year −1. The net cash flow of year −1 (receipts less disbursements, plus net interfund transfers and bond proceeds) therefore enters $h + 1$ times. Lines that do not add up: cash at the end less cash at the start and the year's flows. Breaks: the beginning balance less the previous audit's ending balance. The rows add up to county saving.

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