

Politics in Tax Office: Complicated Effects of Contributing to a Politician on Tax  
Avoidance Using Regression Discontinuity Design

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Abstract

Using a regression discontinuity design in a sample of close U.S. elections, this paper investigates how firms' tax avoidance is affected by four types of political contribution. With hand-collected datasets, we compare firms donating to marginally winning candidates and firms donating to marginally losing candidates in special and general elections of federal congress, gubernatorial elections, and general elections of state congresses. We find that: 1) only large firms gain tax benefits from donating to federal congressmen; 2) donating to state governor candidates only helps large firms avoid tax, while 3) donation to state congressional election winners of the losing party may even hurt. Our results reveal the complicatedness of U.S. political contribution's effects on firm tax avoidance.

JEL codes: G32, H26, D72

Key words: Political connection, tax avoidance, regression discontinuity

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## 1. Introduction

Tax avoidance is an important corporate behavior that relate to firm profits. It is related to many factors including firm characteristics and auditing, regulatory and investment environment. On top of the existing research, this paper is conducting a comprehensive study about the causal effects of the U.S. political contribution through political action committees (PACs) in close elections on firms' tax benefits and present new evidence that the literature never documents. We analyze 1) the federal congressional elections, including the special elections and the general ones; 2) gubernatorial elections where firms donate to the state governor candidates; and 3) state congressional elections, and present complicated effects of establishing political connections at different levels. Compared to some prior work that simply looks at the correlation between general political elections (including non-close elections) at federal congressional level (e.g., Kim and Zhang, 2016) and corporate decisions, our comprehensive investigations under the regression discontinuity design (RDD) show that the effects of political connections on tax avoidance are different under different scenarios. To the best of our knowledge, our analyses of the state congressional elections are new in literature and there is little prior study investigating their effects on corporate tax avoidance.

When firms establish exogenous connection with federal congressmen if they happened to supported the winners in close elections, we find that only the very large ones enjoy more tax benefits and lower effective tax rates. The firms with the benefits need to be among the top 25% of the Compustat sample in terms of total assets, or at least with the same size of Federal Express Corp. or NASDAQ Inc. As for the other 75% firms and the full sample in general, we do not find a significant causal relationship. Similarly, we find that only large firms are more tax aggressive when the state governor candidates supported by them win; the small firms and the full sample of firms in general are not significantly benefited through the exogenous connection.

Furthermore, firms do not significantly benefit with lower effective tax rates from donating to winning candidates in state congressional elections, no matter in close or non-close elections, large or small firms. Additionally, and surprisingly, firms are even hurt in the sense of paying higher tax rates when they support a winning candidate but the candidate's party lost the majority of seats in both state senate and house.

Similar to Akey (2015), we employ a variety of variables measuring the exogenous political connections established from close elections. In the variable constructions, we

carefully distinguish the difference between federal special elections and general elections, the amount of donations, the difference between direct and indirect contributions through election PACs and leadership PACs, the difference between incumbent and challenger candidates, and the difference between Republican and Democratic candidates. We use ten sets of explanatory variables of political contribution in federal elections (in gubernatorial and state elections we use six sets because we do not have indirect contribution information) and obtain consistent conclusion.

We also use eight tax avoidance measures proposed by literature to validate our results: book-tax differences (BTD), permanent book-tax difference (PBTD), cash effective tax rate (CASH\_ETR), GAAP effective tax rate (GAAP\_ETR), discretionary permanent book-tax difference (DTAX), tax shelter prediction score (SHELTER), reported unrecognized tax benefits (REPORTED\_UTB) and predicted unrecognized tax benefits (PREDICTED\_UTB).

Our results contribute to at least two branches of literature. First, on the literature of tax avoidance, scholars have found corporate tax avoidance not only affecting the cost of equity (Goh, Lee and Lim, 2016) and bank loans (Hasan, Hoi, Wu and Zhang, 2014) but also related to a variety of financial and accounting indicators. They include firm characteristics like firm risk (Guenther, Matsunaga and Williams, 2016), customer-supplier relationships (Cen, Maydew, Zhang and Zuo, 2017), geographic earnings disclosure (Hope, Ma and Thomas, 2013), usage of financial derivatives (Donohoe, 2015), internal information environment (Gallemore and Labro, 2015), corporate social responsibility (Hoi, Wu and Zhang, 2013), product market power (Kubick, Lynch, Mayberry and Omer, 2014), dual class ownership (McGuire, Wang and Wilson, 2014), separation of ownership and control (Badertscher, Katz and Rego, 2013), and stock price crash risk (Kim, Li and Zhang, 2011).

Corporate tax avoidance is also related to auditing, regulatory and investment environment such as audit firm's tax-specific industry expertise (McGuire, Omer and Wang, 2012), regulatory scrutiny (Kubick, Lynch, Mayberry and Omer, 2016), Internal Revenue Service monitoring (Hoopes, Mescall and Pittman, 2012), hedge fund activism (Cheng, Huang and Stanfield, 2012), and home country tax system characteristics (Atwood, Drake, Myers and Myers, 2012).

Many of the existing research simply study the correlation between the tax avoidance and corporate variables while some explore the causal relationship with institutional ownership using Russel index reconstitution (Khan, Srinivasan and Tan, 2016) or with top executives

using hiring and firing (Dyreng, Hanlon and Maydew, 2010). This paper contribute a causal analysis of tax avoidance's determinants using RDD.

Second, our paper contributes to a large literature about how political connections are related with or affect the corporate behaviors, including firm performance (Akey, 2015; Ovtchinnikov and Pantaleoni, 2012; Li, Meng, Wang and Zhou, 2008), stock return (Claessens, Feijen and Laeven, 2008), stock recommendations (Christensen, Mikhail, Walther and Wellman, 2016), corporate bailout (Faccio, Masulis and McConnell, 2006), SEC enforcement (Correia, 2014), minority shareholder protection (Berkman, Cole and Fu, 2010), social costs (Cingano and Pinotti, 2013; Coulomb and Sangnier, 2014). Some of them also use political contribution to PACs to measure the connections (e.g., Akey, 2015; Cooper, Gulen and Ovtchinnikov, 2010). Most studies do not use the close election RDD setting except Akey (2015); other ways of addressing endogeneity issues include constructing instrumental variables (Christensen, Mikhail, Walther and Wellman, 2016; Correia, 2014) or Heckman correction (Butler, Fauver and Mortal, 2009).

The rest of the paper is organized as follows. Section 2 details the data sources and the variable construction process. Section 3 explains the empirical specification and results. Section 4 discusses our findings and Section 5 concludes.

## 2. Data and Variable Construction

### 2.1. Tax Avoidance Measures

To have more convincing conclusions, we construct eight tax avoidance measures from Compustat as our dependent variables. Our first measure, book-tax differences (BTD), is defined as the total difference between book and taxable income:

$$BTD = PI - \frac{TXFED + TXFO}{STR}$$

where PI refers to pre-tax income; TXFED refers to current federal tax expense; TXFO refers to current foreign tax expense; and STR refers to the statutory tax rate. For cross-sectional aggregation purposes, BTD is scaled by lagged total assets.

BTD captures both permanent differences (e.g., book income that is non-taxable, such as tax credits), as well as temporary differences, such as favorable tax treatment for depreciation that defers taxation until future periods. Prior literature is divided with respect to

whether permanent or temporary differences better capture tax avoidance behavior (e.g., Hanlon and Heitzman 2010). Thus, we utilize permanent book-tax difference (PBTD) as our second measure for tax avoidance. PBTD is computed as total book-tax differences (BTD) less temporary book-tax-differences (TXDI/STR), where TXDI is total deferred tax expense.

The third and fourth measures are the long-run cash effective tax rate (CASH\_ETR) and GAAP effective tax rate (GAAP\_ETR), which are defined following Dyreng et al. (2008):

$$CASH\_ETR = -1 \times \frac{TXPD}{PI - SPI}$$

$$GAAP\_ETR = -1 \times \frac{TXT}{PI}$$

Where TXPD refers to the 5-year sum of cash taxes paid; PI refers to 5-year sum of pretax income; SPI refers to special items; and TXT refers to 5-year total tax expense.

Using an effective tax rate measure over a five-year horizon avoids annual volatility in effective tax rates. Using a cash-based effective tax rate measure mitigates concerns about earnings management through accruals because accruals are likely to reverse over the long run, and also avoids tax accrual effects present in the current tax expense. We multiply the two five-year effective tax rates by -1 so that they increase in tax avoidance like other measures do.

The fifth measure, DTAX, we use is based on the model of discretionary book-tax difference developed by Frank, Lynch and Rego (2009). It is computed as the residual from the following regression estimated by year and two-digit SIC code,

$$\begin{aligned} PermDiff_{it} = & \alpha_0 + \alpha_1 \left( \frac{1}{AT_{it-1}} \right) + \alpha_2 INTANG_{it} + \alpha_3 UNCON_{it} + \alpha_4 MI_{it} \\ & + \alpha_5 CSTE_{it} + \alpha_6 \Delta NOL_{it} + \alpha_7 PermDiff_{it-1} + \varepsilon_{it}. \end{aligned}$$

where  $PermDiff_{it}$  represents the total book-tax differences less temporary book-tax differences for firm  $i$  in year  $t$ .<sup>1</sup> In the equation,  $AT_{it-1}$  represents firm  $i$ 's log total assets in year  $t-1$ ;  $INTANG_{it}$  is the goodwill and other intangibles;  $UNCON_{it}$  is the income (loss) reported under the equity method;  $MI_{it}$  is the income (loss) attributable to minority interest;  $CSTE_{it}$  is the current state income tax expense; and  $\Delta NOL_{it}$  is the change in net operating loss

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<sup>1</sup> It is computed as  $BI_{it} - (CFTE_{it} + CFOR_{it})/STR_{it} - (DTE_{it}/STR_{it})$  – in this formula,  $BI_{it}$  is the pre-tax book income;  $CFTE_{it}$  is the current federal tax expense;  $CFOR_{it}$  is the current foreign tax expense;  $DTE_{it}$  is the deferred tax expense; and  $STR_{it}$  is the statutory tax rate.

carryforwards. The variable of our interest is the residual  $\varepsilon_{it}$ , or the discretionary permanent difference (DTAX).

The sixth measure, SHELTER, is an indicator variable set equal to 1 for firms in the top quintile of the predicted probability that the firm is engaged in tax sheltering, which is calculated based on the following model from Wilson (2009),

$$SHELTER = -4.30 + 6.63 * BTD - 1.72 * LEVERAGE + 0.66 * SIZE + 2.26 * ROA + 1.62 * FOR\_INCOME + 1.56 * R\_D$$

Where BTD is the book-tax differences defined above. SIZE is the natural logarithm of total assets. LEVERAGE and ROA are long-term debt and pre-tax earnings divided by total assets, respectively. FOR\_INCOME and R\_D are foreign pre-tax income and research and development expense divided by lagged total assets, respectively.

The seventh measure is the Reported Unrecognized Tax Benefits (TXTUBEND in Compustat) scaled by lagged assets (AT), denoted as REPORTED\_UTB. The last measure is the predicted value for unrecognized tax benefits at the end of year t, based on the model from Rego and Wilson (2012). The calculation formula is as follows,

$$PREDICTED\_UTB = -0.004 + 0.011 * PTROA + 0.001 * SIZE + 0.010 * FOR\_SALE + 0.092 * R\_D - 0.002 * DISC\_ACC + 0.003 * LEV + 0.014 * SG\&A - 0.018 * SALES\_GR$$

where PTROA equals pre-tax book income (PI) scaled by beginning of year total assets (AT). SIZE is the natural logarithm of total assets (AT). FOR\_SALE is the sum of foreign sales scaled by total sales where missing values are coded zero. R\_D is the research and development expense (XRD) scaled by total assets (AT). DISC\_ACC is the discretionary accrual calculated using performance adjusted modified Jone's model<sup>2</sup>. We first run the following cross-sectional

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<sup>2</sup> To estimate the model, we first run the following cross-sectional regression by SIC two-digit industry and year:

$$TACCR_{it} = \alpha_0 + \alpha_1 \frac{1}{AT_{it}} + \alpha_2 SSA_{it} + \alpha_3 SPPENT_{it} + \alpha_4 ROA_{it} + \varepsilon_{it}$$

where TACCR is the total accrual using cash flow approach = (IBC - (OANCF - XIDOC)) scaled by lagged total assets; SSA is the change in sales minus change in accounts receivable, or SALE - lagged SALE + RECCH scaled by lagged total assets; SPPENT is the net value of property plan and equipment, or PPENT scaled by lagged total

regression by SIC two-digit industry and year. LEV is defined as (DLTT+DLC) scaled by lagged assets. SG&A is defined as XSGA scaled by lagged assets. SALES\_GR is calculated as the three-year average change in sales.

## 2.2. Variables of Political Contribution

Measuring the effects of political connections on firm behaviors is challenging because political connections may be endogenously correlated with other firm factors which are associated with firm behaviors. These factors may include firm size (large firms tend to have more connections and they behave differently compared to small firms), industry (firms in particular industries interact more with politicians and firms in those industries behave differently), CEO capability (a well-connected CEO may have the firm more politically connected, and this CEO implements better firm policies more efficiently), corporate culture (a more politically active culture leads the firm to have more political connections and different behaviors) and more.

The ideal empirical approach to address this challenge would be to observe firm contributing to politicians running for office, randomly assign election victories to some of them, and observe firm outcomes thereafter. In practice, the choice of whether to make campaign contributions is endogenous; some unobserved heterogeneity could be driving both the firm decision of political donations and the observed differences in tax avoidance measures between treated and control firms. Accordingly, we apply a regression discontinuity design (RDD) to close elections to establish causality. Our identifying assumption is that, there is some randomness in determining the outcome of a close election (Lee 2008; Akey 2016). We compare the outcomes of firms contributing to candidates who marginally won to outcomes of firms donating to candidates who marginally lost, and document the causal effect of political contributions. Following Do et al. (2012, 2013), we define close as the ones that were won or lost by five percentage points or fewer.

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assets; ROA is the return on assets. Then we use the estimated coefficients from the above regression to calculate expected accrual. Discretionary accrual is actual accrual minus expected accrual.

We obtain federal congressional election results from the Federal Election Committee (FEC) and Constituency-Level Elections Archive (CLEA), gubernatorial election results from Atlas ([uselectionatlas.org](http://uselectionatlas.org)), and State Legislative election results from Ballotpedia. We obtain political contribution data of federal congressional elections from the FEC and OpenSecrets, and contribution data of gubernatorial elections and State Legislative elections from FollowTheMoney.com (FTM).

### 2.2.1. Federal Congressional Elections

In federal elections, the senate election results are from the FEC and the house election results are from CLEA. The senate election data is available from 1976 to 2016 and the house election data is available from 1980 to 2016. After the Supreme Court Ruling in *Citizens United v. Federal Elections Commission* on January 21, 2010, another type of “Super PACs” were created. They are excluded in our sample because not all Super PACs are required to disclose their donors, and there is not always a clear map between Super PAC donors and the recipient politicians. Therefore, we confine our sample between 1980<sup>3</sup> to 2010<sup>4</sup>.

[Figure 2] presents a histogram of the margin of victory for all elections in the U.S. from 1980 to 2010. The average election was won by a margin of [37.7%], whereas the median election was won by [33%]. The 5% cutoff that we impose for our analysis falls at about the [sixth] percentile, so in comparison with a typical election, these elections are close.

There are two types of elections of federal congress: general elections and special elections. The House of Representative and Senate general elections occur in November in even-numbered years. A special election is held when a politician’s seat is unexpectedly vacated before normal term expirations, typically because of a resignation or a death. In our sample, there were 207 House and Senate special elections from 1980 to 2010. We first

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<sup>3</sup> The indirect contribution data are incomplete between 1980 to 1996 cycles because we do not have a very comprehensive list of leadership PACs. On one hand, the list of leadership PACs provided by OpenSecrets starts from 1998 cycle, so we do not know the leadership PACs that once existed and then disappeared before 1996. On the other hand, some leadership PACs were converted from election PACs, but we do not know the exact years of conversion. Therefore, even though we can trace a leadership PAC’s activities to 1980, we do not know whether it was a leadership or an election PAC, so we are unable to identify whether the donations it received were indirect or direct. We still include this period between 1980 to 1996 cycles even for the indirect contribution analysis because otherwise the number of observations would be too small when including all control variables in the regressions. Our results of indirect contributions hold similarly when only using the subsample between 1997 to 2010 without including all controls.

<sup>4</sup> Our results are robust after excluding observations of the 2010 election cycle.



describe the procedure of sample construction for general elections, followed by the special elections.

#### 2.2.1.1. General Elections

To make a political contribution to candidates in federal congressional elections, a firm must establish a political action committee (PAC). An election candidate is also required to establish her PAC to receive contributions, and is not allowed to personally receive money from firms' PACs. There are two types of PACs that politicians can have: election PACs and leadership PACs. Contributions in election PACs are used by the candidates to run campaigns. A leadership PAC, usually founded by an experienced politician, receives funds and passes money to other politicians who need it for their election campaigns.

Therefore, we study two types of contributions to an election candidate. A direct contribution is from a firm PAC to a campaign candidate's election PAC. An indirect contribution is first donated from a firm PAC to a leadership PAC, then being passed to an election candidate's PAC.

##### 2.2.1.1.1. Direct Contribution

To study the direct contribution, we first download three datasets, the committee-level, candidate-level and contribution-level data, from the FEC bulk datasets. We first match the firm names in the contribution-level data and Compustat, and obtain 1,580,770 contribution records donated by Compustat-firm PACs. The committee-level data define six PAC designations. We merge the committee-level information with the contribution-level data and require that the recipient must be a senate or house election candidate's PAC, and its designation must be either authorized by a candidate, or authorized by the principal campaign committee of a candidate, or unauthorized<sup>5</sup>. After applying the above committee-level filters on the contribution-level data, we are left with 1,392,256 contribution records. Each PAC serves one election candidate, and both the PAC and the election candidate have their own IDs. The committee IDs exist in both the committee-level and contribution-level data, and the committee-level data have both the committee IDs and the corresponding candidate IDs. We

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<sup>5</sup> Besides the three categories, the dataset also has the other three PAC designations including Lobbyist/Registrant PACs, joint fundraisers and leadership PACs.

first merge the committee-level data to the contribution-level data and append candidate IDs to the latter data, then append the candidate information to the contribution-level data via the candidate IDs. Excluding records with missing candidate IDs, we have 1,371,430 records remain in contribution-level data. We further exclude the contributions that are donated to neither Democratic nor Republican candidates, and the candidates who are neither challengers nor incumbents<sup>6</sup>. After the exclusion, 1,255,415 contribution records remain.

Next, we merge the contribution-level data with the election results data. The data now has the candidate-level information such as election outcomes and voting shares. In a senate election, each state has one winner and the winner is the candidate with the highest number of voting share in the competing state. In a house election, each district has one winner and the winner is the candidate with the highest number of voting share in the competing district. From the election outcomes, we define an election as a “close election” if the winner’s voting share differs from that of its largest opponent by less than 5%.

We manually match the candidate names in merging the contribution-level data with election result data. When candidate names are missing, we drop the observations. After the merger, we 984,604 direct contribution records in which 119,369 records are related to senate elections and 865,235 records are related to house elections. Only considering close elections, we have 90,071 contribution records for the use in the following steps.

We then aggregate the contribution amount for each firm PAC-candidate PAC-election cycle observation, and obtain 45,726 observations<sup>7</sup>. We further aggregate it into firm-cycle-level data. We record the number of winning and losing candidates  $j$  that each firm  $i$  supported in one cycle prior to each close election at time  $t$ . Specifically, we compute the following for each firm-cycle-candidate combination:

$$Win(Lose)P_{ft} = \sum_j (Donated_{fjt} \times Election Outcome_{jt}) \quad (1)$$

where  $Donated_{fjt}$  equals one if firm  $f$ 's PAC donated to candidate  $j$ 's election PAC in cycle  $t$  and zero otherwise.  $Election Outcome_{jt}$  takes the value of one if politician  $j$  won (lost) the close election in cycle  $t$  and zero otherwise. We construct the variable  $TotalP_{ft} =$

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<sup>6</sup> In the data, the incumbency status includes being a challenger, an incumbent or an “open seat”. Open seats are defined as seats where the incumbent never sought re-election.

<sup>7</sup> A very small number of aggregated contributions are zero or even negative, which are very likely due to wrong data input. We exclude these observations.

$WinP_{ft} - LoseP_{ft}$  to look at a firm's net political connection portfolio. We then compute this variable separately for winners and losers, further separated into winning and losing incumbents/challengers and winning and losing Republicans/Democrats. These variables' definitions are detailed in Table 1 Variable Definition. The firm-cycle-level data has 9,602 observations involving direct contributions in federal congressional elections.

After that, we merge the firm-cycle data with control variables described in a subsection below. There are 3,951 observations with all twenty control variables' data. We further append tax avoidance measures including either different variables. Since we have different numbers of missing values for different tax avoidance measure, we end up with different observation numbers in regression analysis for each measure. For example, we are left with 2,845 observations for the analysis of the measure BTM and 1,742 observations for cash ETR.

#### 2.2.1.1.2. Indirect Contribution

To investigate the indirect contribution, we first get a list of leadership PACs from OpenSecrets. Using their committee IDs and election cycles as the keys, we obtain 90,171 contribution records from Compustat-firm PACs to leadership PACs. We further aggregate the contribution amount for each firm PAC-leadership PAC-cycle observation, and obtain 45,830 observations.

Now we link the leadership PACs with the candidate PACs. The contribution recipients must be senate or house election candidate's PAC, and its designation must be either authorized by a candidate, or authorized by the principal campaign committee of a candidate, or unauthorized. We are left with 164,508 indirect contribution records in which 37,141 records are related to senate elections and 127,324 records are related to house elections.

After appending election results data, we are left with 125,744 contribution records with election results available. After excluding non-close elections, contributions that are donated to neither Democratic nor Republican candidates, and the candidates who are neither challengers nor incumbents, we have 25,960 contribution records from the leadership PACs to candidate PACs. Some leadership PACs transfer money to the same candidate PAC multiple times in one election cycle, so we aggregate the data using election cycle, leadership PAC's committee ID and election PAC's committee ID as the keys, and obtain 14,989 leadership PAC-candidate PAC-election cycle observations. Similar to the construction of variables in

direct contribution, we measure the connectedness of each leadership PAC  $l$  in election cycle  $t$  according to the following formula:

$$LPACWin(Lose)_{lt} = \sum_j (LPACDonated_{ljt} \times Election Outcome_{jt})$$

where  $LPACDonated_{ljt}$  equals one if leadership PAC  $l$  donated to candidate  $j$ 's election PAC in cycle  $t$  and zero otherwise.  $Election Outcome_{jt}$  is defined as in Equation (1). We have 2,724 leadership PAC-cycle observations after the above aggregation. With the constructed leadership PAC-cycle level data and the previously obtained firm PAC-leadership PAC-cycle contribution data, we combine them together to construct firm-cycle level variables. We aggregate the number of winners or losers that a firm  $f$  is indirectly connected to through its leadership PAC contributions:

$$Indirect Win(Lose)P_{ft} = \sum_l (Donated_{fjt} \times LPACWin(Lose)_{lt})$$

We construct the variable  $Indirect TotalP_{it} = Indirect WinP_{it} - Indirect LoseP_{it}$  to look at a firm's net portfolio of indirect political connections. Other constructed variables such as  $IndirectAmountTotalP$  are defined in Table 1. After this construction, we obtain 4,594 firm-cycle observations. With the firm-cycle observation, we attach the data with Compustat dataset to obtain firm-cycle level financial data. Tax avoidance measures are also appended as in the direct contribution. Summary statistics of all variables in the federal general elections are presented in Table 2A.

#### 2.2.1.2. Special Elections

There were twenty Senate and House close special elections from 1980 to 2010. The result data only show the top two candidates with the highest voting shares in close special elections, therefore we have forty candidates with result records. The data contains variables such as the margin of victory, candidate name, candidate's political party and state. Excluding elections with victory margin greater than 5%, we are left with 30 candidates with result records of close elections. We create a dummy variable  $Win_{ft}$ , which takes a value of one if the candidate that firm  $f$  supported won a close election in cycle  $t$  and a value of zero otherwise.

We process the contribution data as similarly as in the above-mentioned general elections. We merge it with the results data and obtain 2,649 contribution records related with the 30 candidates. We next aggregate the contribution amount for each firm PAC-candidate PAC-election cycle observation and obtain 1,184 unique firm-candidate-cycle observations. To have the cleanest identification, we exclude the firms that donated to both competing candidates in one cycle. Those firms usually bet on both sides to hedge risk. We now have 1,017 observations, of which 511 have no missing values with all control variables. In the last step, we append tax avoidance measures. Since we have different numbers of missing values for different tax avoidance measure, we end up with different observation numbers in regression analysis for each measure. For example, we are left with 375 observations for the analysis of the measure BTM and 372 observations for cash ETR. Summary statistics of all variables in the federal special elections are presented in Table 2B.

### 2.2.2. Gubernatorial Elections

To study state-level elections, we examine the gubernatorial elections in which candidates compete for the position of state governor. The construction of sample and variables is similar to the process of the direct contribution at the federal congressional level, except that we obtain the contributions to gubernatorial election candidates from the website of FollowTheMoney.com (FTM).

We first manual match the firm names in FTM contribution data and Compustat, and obtain a list of 4,538 firms that are in both datasets. In FTM, each firm name has an Entity ID with which we can query the its donation data. Therefore, we first scrape each webpage of contribution records of each Entity ID of the 4,538 firms, and then obtain 613,520 contribution records after aggregating and cleaning the data from the webpages.

We further keep only the contributions related to gubernatorial elections and exclude contributions to State Legislative elections. We require the FTM-recorded variable “office sought” to have the value of “GOVERNOR” or “GOVERNOR/ LIEUTENANT GOVERNOR”. After the filtering, we are left with 13,432 contribution records for general elections.

We obtain gubernatorial election results from Atlas. We have 13,317 contributions after merging election results and contribution data, of which 2,853 records belong to close elections.

After excluding contributions that are donated to neither Democratic nor Republican candidates, and the candidates who are neither challengers nor incumbents, we are left with 969 contribution records. We further aggregate the data into firm-cycle level sample with 727 observations. We construct explanatory variables such as *Win/LoseP*, *Democratic/Republican Won/LoseP* and attach the firm-cycle level control variables, and are left with 361 observations. We next append tax avoidance measures and the numbers of observations are further reduced.

The sample size is much smaller than that of the federal congressional elections because of the following reason. When a firm contributes to only one federal congressman or a governor candidate, its firm-cycle level independent variable can be constructed. Because there are many more federal congressmen than state governors, the coverage of firms that support at least one congressmen is much larger if the number of firm contributors of state governors is not sizably larger than the number of firm contributors of congressmen. Summary statistics of all variables in the gubernatorial elections are presented in Table 2C.

### 2.2.3. State Legislative Elections

In addition to gubernatorial elections, we also collect the information of state legislative elections in which candidates compete for the positions of state legislatures. The data construction process is similar to what we did in gubernatorial elections, except for that the election results are obtained from Ballotpedia, a digital encyclopedia of American politics founded in 2007. We downloaded the legislative election records after 2000 for each state from Ballotpedia. After matching with the contribution data from the FTM and the firm information from Compustat, we identify 7616 contribution records from public companies, among which 3915 donations to the Democrats, 3694 to Republicans and 7 to other parties. Follow the similar steps in federal congressional elections, we construct independent variables (e.g. *Win/LossP*), merge financial indicators from Compustat and tax avoidance measures. To better identify the state politician connections' effects on a firm's tax benefits, we exclude all firms that donate to more than one state's legislative election candidates or federal election candidates in a year, which leave us a relatively smaller yet cleaner sample for analyses. Summary statistics of all variables in the state general elections are presented in Table 2D.

## 2.3. Control Variables

We include twenty controls variables in our main analyses. Activities of tax avoidance can arise from the transactions or business fundamentals of the firm - foreign operations, intangibles, equity income from other firms, depreciation timing differences, and so on. Therefore, we include size (SIZE), financial leverage (LEVERAGE), capital expenditures (CAPEX), research and development expenditures (R\_D), selling and general administrative expenses (SGA), losses (LOSS), foreign operations (FOREIGN), tax loss carryforwards (TLCF), and excess tax benefit of stock options (TXBCO) to control for the business fundamentals of the firm underlying these tax strategies. We include accounting performance (EBITDA) and accounting performance volatility (EBITDA\_SIGMA) to control for momentum effects and idiosyncratic risks that are known to affect the cost of equity, which has been shown to correlate with tax avoidance (Goh, Lee, Lim and Shevlin 2016).

We include pretax income (PTBI) and abnormal accruals (ABN\_ACCRUALS) to capture the potential accounting adjustments that firms can use to either smooth reported income or adjust reported income to meet other reporting objectives. We include tax benefit of stock options (ETBSO) because it may affect the tax rate. We control for net operating loss (NOLCF) carryforwards and the change in net operating loss carryforwards (CHG\_NOLCF) because firms can use net operating losses to decrease their tax liabilities below that expected by other economic fundamentals. We include the number of shares outstanding (SHARES\_OUT) in the current year, as the supply of a firm's shares has been shown to be a significant determinant of stock return volatility (Cohen, Ness, Okuda, Schwartz, and Whitcomb 1975), which may be associated with tax avoidance (Kim, Li and Zhang 2011). The volatilities of pretax income (VOL\_PTBI), special items (VOL\_SPECIALITEM), and the excess tax benefit from the exercise of employee stock options (VOL\_ETBSO) measured over the same period as the tax rate variables controls for the riskiness of the firm's operations.

### 3. Empirical Strategies and Results

#### 3.1. Special Elections of Federal Congress

In this section, we start with the cleanest setting with only cases in which firms donated to either the winning candidate or the losing candidate, but not to both in the same close special elections. In fact, over 80% of firms only donated to one candidate. In this specification, we define a dummy variable  $Win_{ft}$ , which takes a value of one if the candidate that firm  $f$

supported won a close election in cycle  $t$  and a value of zero otherwise. We run the following regression to estimate the value of “just winning” an election:

$$TA_{f,t+1} = \alpha + \beta_1 Win_{ft} + \gamma \chi_{ft} + \Phi_f + \Phi_t + \epsilon_{ft} \quad (2)$$

where  $TA_{f,t+1}$  represents the one of the eight tax avoidance measures of firm  $f$  in the year after election cycle  $t$ .  $\chi_{ft}$  represents the set of twenty control variables.  $\Phi_f$  and  $\Phi_t$  are firm and election cycle fixed effects, respectively. Standard errors are clustered by firm.

In regressions (2),  $\beta_1$  captures the average wedge in tax avoidance for being connected to the winner compared to the firms connected to the loser. In Table 3, Columns 1-8 use the full sample of all firms and columns 9-14 use only the subsample of large firms with total assets above the 75% quantile threshold. Note that for the analyses of large firms, we do not have dependent variables of REPORTED\_UTB or PREDICTED\_UTB because the observations are too few to make estimates.  $\beta_1$  enters insignificantly in most regressions for the full sample (in only one regression it enters significantly), and enter significantly and positively in five out of six regressions for the subsample of large firms.

Considering the firms in our analysis are from Compustat, the firms of top 25% total assets are actually very large. The cutoff value of SIZE is around 9.5<sup>8</sup>, or total assets of 13.36 billion USD. The firms of comparable size include Federal Express Corp. (SIZE = 9.7 in 2010) and NASDAQ Inc. (SIZE = 9.56 in 2016). The results indicate that only very large firms can gain tax benefits from donating to the election winners, and the benefits are not statistically significant for firms in general. Unreported estimates are insignificant even for the subsample of firms above the median size.

### 3.2. General Elections of Federal Congress

Studying firm connections in general elections is more complicated than in special elections due to overlapping races. Therefore, we use firms’ contribution variables of “net” number of winners that firms contribute to as independent variables. These variables are defined and described in the previous section. We use the following regression model to study

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<sup>8</sup> In fact, for each of the dependent variables, the cutoffs are different. This is because the sample size for each tax avoidance measure’s analysis is different due to different numbers of missing values. The cutoff values for different samples are close, and the results remain effectively the same when we apply any of the cutoffs to all regressions.



the relation between firms' tax avoidance and political contribution measures constructed from close elections,

$$TA_{f,t+1} = \alpha + \beta Contribution_{ft} + \gamma \chi_{ft} + \Phi_f + \Phi_t + \epsilon_{ft} \quad (3)$$

where  $TA_{f,t+1}$  represents the one of the eight tax avoidance measures in the year after the election cycle.  $Contribution_{ft}$  is one of the ten sets of firm contribution measures. For example, the main explanatory variables can be a pair of  $WinP_{ft}$  and  $LoseP_{ft}$ , defined in Equation (1), that are simultaneously included. Or, it can be just one variable  $TotalP_{ft} = WinP_{ft} - LoseP_{ft}$ .  $\chi_{ft}$  represents the set of twenty control variables.  $\Phi_f$  and  $\Phi_t$  are firm and election cycle fixed effects, respectively.

### 3.2.1. All Firms

The results presented in Table 4 of using  $TotalP$  as the explanatory variable are mixed. In Table 4, each column represents a regression. When we use book-tax differences (BTD) to measure the tax avoidance, the regression reveals positive effects of political contribution. However, the estimates become insignificant when we use other measures, and even negative when we use GAAP ETR.

Appendix Table A1 presents results using the other nine sets of explanatory variables. The table has nine panels and each panel contains eight regressions. Each panel in Table A1 uses the same empirical strategy as in Table 4 and include all control variables, firm and election cycles dummies. We only report  $\beta$ , the estimated coefficients and t-statistics of the variables of our interest, but not  $\alpha$  and  $\gamma$  for concise presentation. The results are consistent with Table 4: the association between tax avoidance and firms' political contribution to the election winners is insignificant for the full sample of all firms.

### 3.2.2. Large Firms

In Table 5, we only include the subsample of top 25% largest firms in terms of total assets. Each panel represents eight regressions; therefore, Table 5 presents estimates from 80 regressions in total. Except for a few exceptions, most estimated coefficients are significant in panels 1-10. The signs of coefficients across panels are consistent and imply that political contribution to the election winners brings tax benefits. For example, in Panel 2, the

coefficients of *WonP*, defined by Equation (1), are positive and the coefficients of *LoseP* are negative.

Comparing the coefficients' magnitudes between Panel 1 and 3, between Panel 2 and 4, between Panel 5 and 7, and between 6 and 8, we find that direct contributions to election winners leads to much larger tax benefits than indirect contributions. The magnitudes of Panel 1 are almost eight times larger than those in Panel 3. This is not surprising – direct contributions intuitively represent closer connections than indirect ones.

Panel 9 shows that the effects on tax avoidance are slightly stronger for the supporters of the challengers than for the supporters of the incumbents. A possible explanation is that compared to the incumbents who have established connections and helped their supporters when they are in office, the challengers are more likely to have fewer existing connections; therefore, the challengers may value more on the connections with their supporters, and provide possible help with their business.

A notable result is that the effects are different when firms contribute to candidates in different parties. Shown in Panel 10, contributing to a losing democrat does not lead to significantly negative outcomes in most regressions, but supporting a republican loser causes significantly negative outcomes in larger magnitude.

### 3.2.3. Small Firms

We present the insignificant estimates of the other 75% firms in Appendix Table A2. These results indicate that there are no significant tax benefits from political connection for the smaller firms. The results from using the federal congressional general close elections are overall consistent with the results from the special elections.

### 3.3. Gubernatorial Elections

The empirical setting for gubernatorial elections is about the same as the general congressional elections at the federal level, and we also use Equation (3) for estimation, but there are still several differences. First, the sample size is smaller and we explain it in the last section. Second, we do not have a full list of leadership PACs for the contributions in gubernatorial elections, therefore we construct fewer explanatory variables and they are all for

the direct contributions. As Appendix Table A3 shows, the effects for direct contributions are already insignificant in most regressions of full-sample analyses, and we can expect that indirect contributions may have even weaker effects.

We also study the effects on tax benefits for two equal subsamples. In the gubernatorial elections analyses, we define the large firm subsample as the firms with total assets above the median and define the other half of firms as the small firm subsample. In Table 5, we show that large firms enjoy lower effective tax rates and more tax benefits from establishing exogenous connections with gubernatorial close elections winners, but we do not find these benefits from the connections for small firms as shown in Appendix Table A4.

### 3.4. State Legislative Elections

Next we use Equation (3) to estimate the effects of establishing connections with state legislative election winners. To better identify the state politician connections' effects on a firm's tax benefits, we exclude all firms that donate to more than one state's legislative election candidates or federal election candidates in a year, which leave us a relatively smaller yet cleaner sample for analyses.

#### 3.4.1. All Firms

As shown in Table 7 that uses *TotalP* as the main explanatory variable, the effects are insignificant except in Column (7) when the dependent variable is REPORTED\_UTB. The results are the same and largely insignificant if using other explanatory variables, presented in Table A5. Moreover, we make an additional robustness test on the connections with politicians established through all state legislative elections, including close and non-close ones. The effects are still insignificant as shown in Appendix Table A6. Furthermore, in unreported analyses, the results are insignificant for two separate subsamples of large firms and small ones.

#### 3.4.2. Firms Supporting Election Winners of the Losing Party

Despite the insignificant general effects for the full sample, we conduct deeper analyses to allow for understanding the relation between an individual candidate's election results and

her party's election results in a general election. In particular, we want to know whether the election candidate's party's performance affects the firm's tax avoidance.

We construct an indicator variable, *Dummy(Donate to Winner of Losing Party)*, that equals one if in a year all the candidates that the firm donates to belong to the same party that loses the majority of seats in both state senate and house, and zero otherwise. To estimate the impact, we use the following regression model:

$$TA_{f,t+1} = \alpha + \beta_1 Contribution_{ft} * Dummy(WOLP)_{ft} + \beta_2 Contribution_{ft} + \beta_3 Dummy(WOLP)_{ft} + \gamma \chi_{ft} + \Phi_f + \Phi_t + \epsilon_{ft} \quad (4)$$

where *Dummy(WOLP)* represents the dummy variable and all other variables are defined the same as in Equation (3).

We find interesting results. The estimates of  $\beta_1$  in all regressions in Table 8 are significantly negative and the estimates of  $\beta_3$  are also negative (though insignificantly in six regressions), indicating that the firms only donating to the winners in the losing party are worse off in the sense of paying higher effective tax rates. The results are confirmed in Appendix Table A7 where we construct the main explanatory variable using all elections that are not limited to close ones.

### 3.5. Additional Tests

In unreported analyses, we also study the effects of state congressional connections on 1) the firms that donate to winning candidates of the winning party, 2) the firms that donate to losing candidates of the losing party, 3) the firms that donate to losing candidates of the winning party, and do not find significant estimates.

In addition, we estimate the effects of connections established through federal elections and gubernatorial elections on all these subsamples of firms. We also do not find significant effects. But when we use the number of employees to proxy the large firms instead of using total assets as the measure, we obtain robust results: the large firms enjoy tax benefits while the small firms do not.

## 4. Discussion of Results

The first question from reading the results is: where are the sources of the tax benefits? How can election winners bring tax benefits to their firm contributors? We believe that there are at least three potential reasons. First, politicians may help lobby for the firms on the tax-related laws or regulations. Second, senators and governors may also provide insider information of the government politics so that the firms can adjust their business strategies and prepare for future changes of policies in advance. Third, some firms contribute not because they are friends of the candidates, but because they have benefits exchange with the “bundlers”. The “bundlers” are well-connected super fundraisers who organize and collect campaign contributions, and may provide ideas, connections and information that may help with firms’ tax strategies.

A further question is why do the federal congressmen and governors have more incentives to help the large firms but not the small ones? We argue that large firms in general hire more employees and obtaining their support is more helpful in the politician’s next election.

Another question is: if small firms do not gain tax benefits from contributing to the senate or the house election candidates, why do they make donations? This is perhaps because the small firms still gain other benefits from the contribution although they may not gain as much tax benefits as the large firms do.

## 5. Conclusion

Using a regression discontinuity design in a sample of close U.S. elections, this paper investigates how firms’ tax avoidance is affected by four types of political contribution. With hand-collected datasets, we compare firms donating to marginally winning candidates and firms donating to marginally losing candidates in special and general elections of federal congress, gubernatorial elections, and general elections of state congresses. We find that: 1) only large firms gain tax benefits from donating to federal congressmen; 2) donating to state governor candidates only helps large firms avoid tax, while 3) donation to state congressional election winners of the losing party may even hurt. Our results reveal the complicatedness of U.S. political contribution’s effects on firm tax avoidance.

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Table 1: Variable Definition

Variable Name	Definition
<b>Tax Avoidance Measures</b>	
BTD	Total book-to-tax differences, computed as $PI - (TXFED + TXFO)/STR$ , where PI refers to pre-tax income; TXFED refers to current federal tax expense; TXFO refers to current foreign tax expense; and STR refers to the statutory tax rate. The total book-tax difference is then scaled by lagged total assets
PBTD	Total book-tax differences (BTD) less temporary book-tax differences ( $TXDI/STR$ ), where TXDI is total deferred tax expense and STR is statutory marginal tax rate. The permanent book-tax difference is then scaled by lagged total assets
CASH_ETR	Five-year cumulative cash effective tax rate as in Dyreng et al. (2008), computed as the five-year sum of cash taxes paid (TXPD) divided by five-year sum of pre-tax income (PI) less special items (SPI). The variable is multiplied by -1 so that it is increasing in tax avoidance
GAAP_ETR	GAAP ETR is the GAAP effective tax rate defined as total tax expense (data TXT) divided by pretax accounting income (data PI)
DTAX	Model of discretionary book-tax differences developed by Frank et al. (2009). DTAX = the residual from the following regression estimated by year and two-digit SIC code: $PermDiff_{it} = \alpha_0 + \alpha_1 \left( \frac{1}{AT_{it-1}} \right) + \alpha_2 INTANG_{it} + \alpha_3 UNCON_{it} + \alpha_4 MI_{it} + \alpha_5 CSTE_{it} + \alpha_6 \Delta NOL_{it} + \alpha_7 LAGPERM_{it} + \varepsilon_{it}$ When computing DTAX, we use all Compustat firm-year observations with the available data
SHELTER	An indicator variable set equal to 1 for firms in the top quintile of the predicted probability that the firm is engaged in tax sheltering based on the model from Wilson (2009). Shelter = -4.30 + 6.63 * BTD - 1.72 * LEV + 0.66 * SIZE + 2.26 * ROA + 1.62 * FOR_INCOME + 1.56 * R&D
REPORTED_UTB	Reported Unrecognized Tax Benefits (TXTUBEND) scaled by lagged assets (AT)
PREDICTED_UTB	Predicted unrecognized benefits at the end of year t, based on the model from Rego and Wilson (2012). Predicted UTB = -0.004 + 0.011*PTROA + 0.001*SIZE + 0.010*FOR_SALE + 0.092*R&D - 0.002*DISC_ACC + 0.003*LEV + 0.014*SG&A - 0.018 * SALES_GR
<b>Political Contribution Measures</b>	
Win	An indicator variable that equals one if the firm-supporting candidate won a close federal special election and zero otherwise
TotalP	Won P - Lose P
WonP	# of winning candidates involved in a close election that a firm donated to prior to the election
LoseP	# of losing candidates involved in a close election that a firm donated to prior to the election
IndirectTotalP	Indirect Won P - Indirect Lose P
IndirectWonP	# of winning candidates involved in a close election that a firm indirectly support via donations to leadership PACs
IndirectLoseP	# of losing candidates involved in a close election that a firm indirectly support via donations to leadership PACs
AmountTotalP	Amount Won P - Amount Lose P
AmountWonP	# of winning candidates involved in a close election that a firm donated to prior to the election weighted by the firms's contribution to the candidate
AmountLoseP	# of losing candidates involved in a close election that a firm donated to prior to the election weighted by the firms's contribution to the candidate
IndirectAmountTotalP	IndirectAmountWon P - IndirectAmountLose P
IndirectAmountWonP	# of winning candidates involved in a close election that a firm indirectly donated to prior to the election weighted by the firms's contribution to the candidate
IndirectAmountLoseP	# of losing candidates involved in a close election that a firm indirectly donated to prior to the election weighted by the firms's contribution to the candidate

IncumbentWonP	# of winning incumbents involved in a close election that a firm donated to prior to the election
IncumbentLoseP	# of losing incumbents involved in a close election that a firm donated to prior to the election
ChallengerWonP	# of winning challengers involved in a close election that a firm donated to prior to the election
ChallengerLoseP	# of losing challengers involved in a close election that a firm donated to prior to the election
DemWonP	# of winning Democratic candidates involved in a close election that a firm donated to prior to the election
DemLoseP	# of losing Democratic candidates involved in a close election that a firm donated to prior to the election
RepWonP	# of winning Republican candidates involved in a close election that a firm donated to prior to the election
RepLoseP	# of losing Republican candidates involved in a close election that a firm donated to prior to the election

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**Control Variables**

ABN_ACCRUALS	The square of discretionary accruals, where discretionary accruals are estimated using the modified Jones method from Dechow et al (1996). When computing discretionary accruals, we do so using a sample of all Compustat firm-year observations with the available data
CAPEX	Capital expenditures scaled by lagged total assets
CHG_NOLCF	Change in net operating loss carryforward (TLCF) scaled by lagged total assets (AT). NOLCF is set equal to 0 if missing (TLCF)
EBITDA	accounting performance, proxied by earnings before interest, tax, depreciation, and amortization for the fiscal year, scaled by lagged total assets
EBITDA_SIGMA	standard deviation of EBITDA measured over the prior five fiscal years, scaled by lagged total assets
ETBSO	Excess tax benefit of stock options (TXBCOF + TXBCO) scaled by lagged total assets (AT); ETBSO is set to 0 if missing
FOREIGN	An indicator that equals 1 if the firm reports positive foreign pre-tax earnings, and 0 otherwise
KLMO_LOSS	Equals 1 if the firm reports a loss ( $IB < 0$ ) in any of the last three fiscal years
LEVERAGE	Long-term debt (DLTT) scaled by lagged total assets
NOLCF	Net operating loss carryforward (TLCF) scaled by lagged total assets (AT). NOLCF is set equal to 0 if missing (TLCF)
PTBI	Pretax book income (PI) scaled by lagged total assets (AT)
R_D	Research and development expenditures scaled by lagged total assets
SGA	The change in sales (scaled by total assets) over the prior fiscal year
SHARES_OUT	The log of the firm's common shares outstanding (CSHO)
SIZE	Natural log of total assets (AT)
TLCF	An indicator that equals 1 if the firm reports net operating loss carryforwards, and 0 otherwise
TXBCO	An indicator that equals 1 if the excess tax benefit of stock options (TXBCOF) is non-zero, and 0 otherwise
VOL_ETBSO	Standard deviation of the excess tax benefit of stock options (TXBCOF + TXBCO) scaled by lagged total assets (AT) measured over a five-year period; VOL_ETBSO is set to 0 if missing
VOL_PTBI	Standard deviation of the ratio of annual pretax book income (PI) to lagged total assets (AT) measured over a five-year period
VOL_SPECIALITEM	Standard deviation of special items (SPI) scaled by lagged total assets (AT) measured over a five-year period

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Table 2A: Summary Statistics: Federal Congressional General Elections

Federal General	Obs	Mean	Std Dev	25%	Median	75%
Tax Avoidance Measures						
BTD	2845	0.033	0.061	0.008	0.027	0.050
PBTD	2794	0.020	0.058	0.001	0.011	0.027
CASH_ETR	1742	-0.265	0.123	-0.339	-0.269	-0.189
GAAP_ETR	751	-0.021	0.066	-0.017	0	0
DTAX	1602	-0.003	0.041	-0.012	-0.005	0.004
SHELTER	1788	1.546	1.939	0.446	1.567	2.894
REPORTED_UTB	435	0.012	0.017	0.002	0.007	0.016
PREDICTED_UTB	646	0.010	0.008	0.006	0.010	0.014
Federal General Election Political Contribution Measures						
TotalP	3951	0.613	2.201	-1	1	2
WonP	3951	2.501	2.800	1	2	3
LoseP	3951	1.889	2.092	1	1	3
IndirectTotalP	1288	-4.007	16.094	-6	-2	2
IndirectWonP	1288	42.521	76.207	5	14.500	43
IndirectLoseP	1288	46.528	73.067	7	18	49.500
AmountLoseP	3951	4.115	7.852	0.1	1.5	4.5
AmountTotalP	3951	1.059	6.906	-1.050	0.5	2.040
AmountWonP	3951	5.173	10.575	0.5	2	5.5
IndirectAmountTotalP	1288	-19.086	114.955	-40.056	-9.066	14.422
IndirectAmountWonP	1288	253.026	430.268	25.353	85.750	260.427
IndirectAmountLoseP	1288	272.112	402.933	40	109.615	305.500
IncumbentWonP	3951	2.176	2.507	1	1	3
IncumbentLoseP	3951	1.590	1.906	0	1	2
ChallengerWonP	3951	0.325	0.804	0	0	0
ChallengerLoseP	3951	0.298	0.700	0	0	0
DemLoseP	3951	0.541	1.245	0	0	1
DemWonP	3951	1.035	1.938	0	0	1
RepLoseP	3951	1.348	1.825	0	1	2
RepWonP	3951	1.466	1.822	0	1	2
Control Variables						
ABN_ACCRUALS	3951	0.085	5.998	-0.047	-0.009	0.019
CAPEX	3951	0.074	0.079	0.031	0.055	0.094
CHG_NOLCF	3951	0.005	0.348	0	0	0
EBITDA	3951	0.113	0.848	0.093	0.141	0.202
EBITDA_SIGMA	3951	0.084	1.101	0.018	0.033	0.056
ETBSO	3951	0.001	0.005	0	0	0
FOREIGN	3951	0.333	0.471	0	0	1
KLMO_LOSS	3951	0.298	0.458	0	0	1
LEVERAGE	3951	0.252	0.258	0.098	0.216	0.335
NOLCF	3951	0.825	34.597	0	0	0.006
PTBI	3951	0.031	1.039	0.028	0.074	0.138
R_D	3951	0.025	0.066	0	0	0.025
SGA	3951	0.226	0.347	0.019	0.139	0.308
SHARES_OUT	3951	3.808	2.266	2.868	4.018	5.152
SIZE	3951	7.419	2.346	6.337	7.808	9.119
TLCF	3951	0.274	0.446	0	0	1
TXBCO	3951	0.111	0.314	0	0	0
VOL_ETBSO	3951	0.000	0.002	0	0	0
VOL_PTBI	3951	0.115	1.468	0.021	0.042	0.080
VOL_SPECIALITEM	3951	0.065	1.403	0.001	0.008	0.025

Table 2B: Summary Statistics: Federal Congressional Special Elections

Federal Special	Obs	Mean	Std Dev	25%	Median	75%
Tax Avoidance Measures						
BTD	375	0.031	0.059	0.005	0.025	0.048
PBTD	372	0.020	0.061	0	0.009	0.023
CASH_ETR	368	-0.253	0.118	-0.323	-0.252	-0.177
GAAP_ETR	199	-0.017	0.056	-0.010	0	0
DTAX	197	-0.006	0.049	-0.012	-0.006	0.002
SHELTER	225	2.641	1.800	1.602	2.798	4.012
REPORTED_UTB	126	0.015	0.017	0.003	0.009	0.020
PREDICTED_UTB	171	0.012	0.008	0.007	0.010	0.015
Federal Special Election Political Contribution Measure						
Win	511	0.883	0.322	1	1	1
Control Variables						
ABN_ACCRUALS	511	-0.070	0.954	-0.042	-0.008	0.022
CAPEX	511	0.057	0.052	0.021	0.044	0.074
CHG_NOLCF	511	0.003	0.066	0	0	0
EBITDA	511	0.026	2.259	0.095	0.139	0.204
EBITDA_SIGMA	511	0.093	0.905	0.018	0.030	0.053
ETBSO	511	0.002	0.010	0	0	0
FOREIGN	511	0.464	0.499	0	0	1
KLMO_LOSS	511	0.280	0.449	0	0	1
LEVERAGE	511	0.253	0.455	0.100	0.204	0.333
NOLCF	511	0.089	0.529	0	0	0.024
PTBI	511	-0.035	2.141	0.037	0.078	0.134
R_D	511	0.042	0.282	0	0	0.033
SGA	511	0.234	0.412	0.022	0.131	0.297
SHARES_OUT	511	4.888	2.649	3.962	5.302	6.358
SIZE	511	8.539	2.538	7.752	9.256	10.261
TLCF	511	0.329	0.470	0	0	1
TXBCO	511	0.204	0.403	0	0	0
VOL_ETBSO	511	0.001	0.003	0	0	0
VOL_PTBI	511	0.305	4.444	0.022	0.041	0.080
VOL_SPECIALITEM	511	0.151	2.565	0.004	0.012	0.029

Table 2C: Summary Statistics: Gubernatorial Elections

	Obs	Mean	Std Dev	25%	Median	75%
Tax Avoidance Measures						
BTD	274	0.031	0.054	0.004	0.029	0.052
PBTD	270	0.023	0.057	0.001	0.011	0.025
CASH_ETR	294	-0.266	0.218	-0.359	-0.225	-0.113
GAAP_ETR	202	-0.203	0.031	-0.278	-0.199	0
DTAX	141	0.011	0.484	-0.118	0.058	0.097
SHELTER	156	0.262	0.169	0.142	0.264	0.386
REPORTED_UTB	175	0.012	0.014	0.002	0.006	0.016
PREDICTED_UTB	182	0.013	0.026	0.008	0.011	0.015
State Gubernatorial Political Contribution Measures						
TotalP	361	0.476	1.054	-1	1	1
WonP	361	0.925	0.751	1	1	1
LoseP	361	0.449	0.536	0	0	1
AmountTotalP	361	5.603	17.966	-1	1	5
AmountWonP	361	7.588	17.581	0.108	2	6.500
AmountLoseP	361	1.985	6.277	0	0	1.400
IncumbentLoseP	361	0.330	0.471	0	0	1
IncumbentWonP	361	0.737	0.771	0	1	1
ChallengerLoseP	361	0.119	0.324	0	0	0
ChallengerWonP	361	0.188	0.399	0	0	0
DemLoseP	361	0.244	0.436	0	0	0
DemWonP	361	0.543	0.567	0	1	1
RepLoseP	361	0.205	0.411	0	0	0
RepWonP	361	0.382	0.631	0	0	1
Control Variables						
ABN_ACCRUALS	361	0.119	0.107	0.039	0.088	0.141
CAPEX	361	0.049	0.040	0.022	0.039	0.065
CHG_NOLCF	361	0.009	0.081	0	0	0
EBITDA	361	0.133	0.157	0.092	0.136	0.174
EBITDA_SIGMA	361	0.046	0.189	0.013	0.025	0.045
ETBSO	361	0.001	0.006	0	0	0
FOREIGN	361	0.452	0.498	0	0	1
KLMO_LOSS	361	0.280	0.450	0	0	1
LEVERAGE	361	0.296	0.478	0.133	0.234	0.364
NOLCF	361	0.126	0.839	0	0	0.042
PTBI	361	0.059	0.195	0.032	0.069	0.112
R_D	361	0.033	0.148	0	0	0.030
SGA	361	0.201	0.500	0.035	0.135	0.265
SHARES_OUT	361	5.326	2.273	4.272	5.606	6.718
SIZE	361	9.055	2.130	7.978	9.556	10.590
TLCF	361	0.418	0.494	0	0	1
TXBCO	361	0.224	0.418	0	0	0
VOL_ETBSO	361	0.001	0.004	0	0	0.000
VOL_PTBI	361	0.065	0.115	0.021	0.038	0.076
VOL_SPECIALITEM	361	0.032	0.067	0.004	0.013	0.028

Table 2D: Summary Statistics: State Legislative General Elections

State General	Obs	Mean	Std Dev	25%	Median	75%
Tax Avoidance Measures						
BTD	692	0.043	0.228	0.007	0.025	0.048
PBTD	663	0.029	0.162	0.001	0.010	0.030
CASH_ETR	592	-0.244	0.131	-0.320	-0.254	-0.159
GAAP_ETR	518	-0.018	0.057	-0.016	0	0
DTAX	310	0.003	0.127	-0.011	-0.005	0.003
SHELTER	368	1.166	1.913	-0.198	1.307	2.491
REPORTED_UTB	291	0.015	0.032	0.003	0.006	0.016
PREDICTED_UTB	529	0.010	0.017	0.005	0.008	0.013
State General Election Political Contribution Measures						
TotalP	1119	5.240	11.832	0	1	5
WonP	1119	12.559	23.558	1	3	11
LoseP	1119	7.320	13.269	1	2	7
AmountLoseP	1119	19.209	59.223	0.050	1.664	9.400
AmountTotalP	1119	9.075	41.487	-0.092	1	4
AmountWonP	1119	28.284	87.310	0.700	3	13
IncumbentWonP	1119	10.146	21.128	0	2	9
IncumbentLoseP	1119	5.223	11.259	0	1	5
ChallengerWonP	1119	0.231	0.968	0	0	0
ChallengerLoseP	1119	0.210	0.789	0	0	0
DemLoseP	1119	3.021	6.359	0	0	3
DemWonP	1119	5.625	12.088	0	1	5
RepLoseP	1119	4.238	8.149	0	1	5
RepWonP	1119	6.898	13.045	0	1	6
Control Variables						
ABN_ACCRUALS	1119	-0.019	0.171	-0.047	-0.009	0.021
CAPEX	1119	0.059	0.075	0.021	0.039	0.069
CHG_NOLCF	1119	0.029	0.486	0	0	0
EBITDA	1119	0.074	0.407	0.067	0.112	0.172
EBITDA_SIGMA	1119	0.075	0.227	0.017	0.034	0.063
ETBSO	1119	0.002	0.008	0	0	0
FOREIGN	1119	0.298	0.457	0	0	1
KLMO_LOSS	1119	0.410	0.492	0	0	1
LEVERAGE	1119	0.270	0.395	0.071	0.226	0.363
NOLCF	1119	0.347	2.177	0	0	0.064
PTBI	1119	0.000	0.576	-0.001	0.050	0.106
R_D	1119	0.035	0.141	0	0	0.023
SGA	1119	0.248	0.488	0.036	0.149	0.320
SHARES_OUT	1119	3.544	2.358	2.656	3.765	4.844
SIZE	1119	6.826	2.286	5.433	7.232	8.499
TLCF	1119	0.387	0.487	0	0	1
TXBCO	1119	0.226	0.418	0	0	0
VOL_ETBSO	1119	0.001	0.004	0	0	0
VOL_PTBI	1119	0.175	1.412	0.024	0.049	0.107
VOL_SPECIALITEM	1119	0.064	0.340	0.003	0.011	0.041

Table 3: Federal Congressional Special Elections

This table presents the OLS regression results with fixed effects. The dependent variables are the tax avoidance measures defined in Table 1. The independent variable of interest is an indicator variable that equals one if the firm-supporting candidate won a close special election and zero otherwise. Year fixed effects, firm fixed effects and firm-year controls including ABN\_ACCRUALS, CAPEX, CHG\_NOLCF, EBITDA, EBITDA\_SIGMA, ETBSO, FOREIGN, KLMO\_LOSS, LEVERAGE, NOLCF, PTBI, R\_D, SGA, SHARES\_OUT, SIZE, TLCF, TXBCO, VOL\_ETBSO, VOL\_PTBI and VOL\_SPECIALITEM are included in all regressions. Standard errors are clustered by firm. Robust t-statistics are in parentheses. \*, \*\*, \*\*\* indicate significance at 1%, 5% and 10%.

	(1)	(2)	(3)	(4) All Firms				(7)	(8)	(9) Large Size				(13)	(14)
							REPORTED_	PREDICTED							
	BTD	PBTD	CASH_ETR	GAAP_ETR	DTAX	SHELTER	UTB	_UTB	BTD	PBTD	CASH_ETR	GAAP_ETR	DTAX	SHELTER	
Win	0.0024 (0.2028)	0.0146 (1.0570)	0.0438* (1.8009)	-0.0011 (-0.0963)	0.0036 (0.1903)	0.0271 (0.2661)	0.0023 (0.4798)	-0.0004 (-0.5764)	0.0564*** (3.2780)	0.0206** (2.1267)	0.0910*** (3.2233)	0.0041 (1.4711)	0.0353*** (3.6373)	0.4010*** (4.2489)	
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Constant	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Firm Dummy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Year Dummy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Cluster	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Observations	375	372	368	199	197	225	126	171	94	93	92	50	49	56	
R-squared	0.890	0.841	0.891	0.996	0.896	0.997	0.998	0.998	0.923	0.954	0.892	1.000	0.979	0.998	

Table 4: Federal Congressional General Elections: All Firms

This table presents the OLS regression results with fixed effects. The dependent variables are the tax avoidance measures defined in Table 1. The independent variable of interest is *TotalP*. Year fixed effects, firm fixed effects and firm-year controls including ABN\_ACCRUALS, CAPEX, CHG\_NOLCF, EBITDA, EBITDA\_SIGMA, ETBSO, FOREIGN, KLMO\_LOSS, LEVERAGE, NOLCF, PTBI, R\_D, SGA, SHARES\_OUT, SIZE, TLCF, TXBCO, VOL\_ETBSO, VOL\_PTBI and VOL\_SPECIALITEM are included in all regressions. Standard errors are clustered by firm. Robust t-statistics are in parentheses. \*, \*\*, \*\*\* indicate significance at 1%, 5% and 10%.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	BTD	PBTD	CASH_ETR	GAAP_ETR	DTAX	SHELTER	REPORTED_U TB	PREDICTED_ UTB
TotalP	0.0008* (1.9424)	0.0005 (1.4953)	0.0009 (0.6752)	-0.0013* (-1.6635)	-0.0001 (-0.2257)	0.0040 (1.2212)	-0.0001 (-0.0840)	-0.0001 (-0.5780)
PTBI	0.6785*** (8.1916)	0.3344*** (3.9944)	-0.0627 (-0.8655)	0.4621* (1.7071)	0.3801*** (3.6746)	5.8704*** (14.5788)	-0.0050 (-0.4185)	0.0159*** (2.7363)
VOL_PTBI	0.0714** (1.9968)	0.0294 (0.5995)	0.1781 (1.5949)	0.0080 (1.2696)	-0.0833 (-1.0334)	1.0532*** (2.8270)	0.0009 (0.6421)	-0.0022*** (-3.9609)
LEVERAGE	0.0344*** (2.9812)	0.0198 (1.3815)	0.0147 (0.5290)	0.0659 (1.5271)	0.0230 (1.4975)	0.9551*** (8.5167)	0.0094 (1.0543)	0.0018 (0.9888)
SIZE	-0.0067** (-2.1861)	-0.0033 (-0.8329)	-0.0031 (-0.1818)	0.0043 (0.5792)	-0.0019 (-0.4642)	-0.6565*** (-25.3954)	-0.0014 (-0.5617)	-0.0014*** (-2.7058)
ABN_ACCRUALS	0.0046 (0.3464)	-0.0079 (-0.5945)	-0.0277 (-0.5559)	0.0183 (0.4257)	-0.0256 (-0.9309)	0.1063 (0.6435)	-0.0042 (-0.4917)	0.0081 (1.6075)
SHARES_OUT	0.0003 (0.2016)	0.0040 (1.1130)	0.0096 (0.7381)	0.0095 (1.2408)	0.0007 (0.5138)	-0.0034 (-0.3394)	0.0029 (1.4201)	0.0002 (0.7979)
VOL_SPECIALITEM	0.0507 (1.1323)	0.0176 (0.1461)	0.0614 (0.4792)	0.0918 (0.7575)	0.0520 (0.3812)	-0.6873* (-1.9439)	0.0389 (1.0326)	-0.0026 (-0.4332)
VOL_ETBSO	0.1195 (0.1304)	0.4597 (0.5004)	-1.0493 (-0.7719)	2.1565* (1.8264)	0.1989 (0.1441)	1.2902 (0.1939)	0.0767 (0.4694)	0.0730** (2.2651)
ETBSO	-0.0361 (-0.1099)	-0.4320 (-1.2648)	0.0836 (0.1498)	-4.9113*** (-4.0457)	-0.2261 (-0.3704)	2.0936 (0.7996)	0.0006 (0.0074)	-0.0324** (-2.2586)
CHG_NOLCF	0.0544 (1.4278)	0.0400 (0.9125)	-0.1985* (-1.9478)	0.0341 (0.8616)	-0.0041 (-0.0959)	-5.9465*** (-23.3125)	0.0004 (0.1019)	0.0043 (1.5551)
NOLCF	-0.0126 (-1.4350)	-0.0110 (-0.7078)	0.1884*** (2.6034)	0.0164 (0.7543)	-0.0010 (-0.0211)	0.1179* (1.8328)	0.0014 (0.4565)	-0.0003 (-0.3882)
KLMO_LOSS	-0.0001 (-0.0061)	-0.0048 (-1.0473)	-0.0149 (-1.4041)	-0.0021 (-0.3021)	-0.0017 (-0.1805)	-0.0327 (-0.9225)	-0.0004 (-0.2244)	0.0004 (0.9246)
SGA	-0.0505*** (-2.8713)	0.0067 (0.2037)	0.0131 (0.2050)	-0.0536 (-1.1899)	-0.0023 (-0.1527)	-0.1743 (-0.8876)	-0.0183 (-1.3953)	0.0137*** (4.5993)
TLCF	0.0020 (0.5819)	0.0014 (0.3186)	-0.0128 (-0.9716)	0.0012 (0.2811)	0.0009 (0.1441)	0.0069 (0.1698)	-0.0012 (-0.6080)	-0.0004 (-0.7587)
FOREIGN	-0.0005 (-0.1340)	0.0073* (1.7859)	0.0128 (0.8422)	-0.0011 (-0.1520)	-0.0016 (-0.4232)	1.5914*** (58.2862)	0.0040** (2.2434)	0.0006 (1.0696)
TXBCO	-0.0051 (-1.3944)	0.0051 (0.8966)	-0.0141 (-1.0785)	-0.0098* (-1.6737)	0.0017 (0.1967)	-0.0625* (-1.9605)	0.0001 (0.1055)	-0.0006 (-1.2710)
R_D	0.0488 (0.4252)	0.0698 (0.7389)	0.2235 (1.0180)	0.2041 (0.5916)	0.0241 (0.1720)	-0.3471 (-0.3490)	-0.0292 (-0.4707)	0.1016*** (9.1215)
CAPEX	0.1328*** (4.6300)	0.0186 (0.6677)	0.0211 (0.1849)	-0.0491 (-1.3607)	0.0079 (0.3524)	1.1896*** (4.9411)	-0.0121 (-1.1047)	0.0021 (0.5127)
EBITDA_SIGMA	-0.1958** (-2.3319)	-0.0443 (-0.4786)	0.0541 (0.2135)	-0.1668 (-0.6723)	0.0021 (0.0194)	-1.4583 (-1.3446)	0.0221 (1.4037)	-0.0001 (-0.0167)
EBITDA	-0.3953*** (-4.7816)	-0.2172** (-2.5516)	0.0030 (0.0238)	-0.0802 (-0.3469)	-0.3212*** (-2.7886)	-2.1190*** (-4.3177)	0.0157 (1.1404)	-0.0153** (-2.3532)
Constant	0.0725*** (3.5763)	0.0278 (1.0521)	-0.3486*** (-2.8675)	-0.0943* (-1.7955)	0.0178 (0.6270)	-4.2428*** (-23.2923)	0.0023 (0.1321)	0.0193*** (3.4187)
Firm Dummy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year Dummy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Cluster	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	2,845	2,794	1,742	751	1,602	1,788	435	646
R-squared	0.782	0.813	0.724	0.914	0.728	0.990	0.964	0.970



Table 5: Federal Congressional General Elections: Large Firms

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	BTD	PBTD	CASH_ETR	GAAP_ETR	DTAX	SHELTER	REPORTED_ UTB	PREDICTED_ UTB
Panel 1								
TotalP	0.0030*** (4.9172)	0.0014*** (3.1087)	0.0075*** (3.6214)	0.0008** (2.6013)	0.0018*** (3.0629)	0.0216*** (3.2068)	0.0008*** (3.0488)	0.0001 (0.4483)
Controls, Dummies, Cluster	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Panel 2								
WonP	0.0032*** (4.8531)	0.0015*** (3.0420)	0.0075*** (3.5911)	0.0007*** (2.8485)	0.0017*** (3.0455)	0.0215*** (3.1429)	0.0009** (2.3433)	0.0001 (0.1847)
LoseP	-0.0020** (-2.6067)	-0.0011** (-2.3301)	-0.0078*** (-2.7088)	-0.0012** (-2.1749)	-0.0024*** (-2.8786)	-0.0223*** (-2.9670)	-0.0006 (-1.5738)	-0.0001 (-0.5948)
Controls, Dummies, Cluster	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Panel 3								
IndirectTotalP	0.0004*** (5.0070)	0.0003** (2.4397)	0.0005** (2.1951)	0.0001** (2.4672)	0.0002*** (3.6171)	0.0021*** (2.7375)	0.0001* (1.7669)	0.0001** (2.0991)
Controls, Dummies, Cluster	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Panel 4								
IndirectWonP	0.0004*** (4.2023)	0.0003** (2.4978)	0.0006** (2.1592)	0.0001** (2.2501)	0.0003*** (3.0117)	0.0025*** (3.2611)	0.0001* (1.9700)	0.0001** (2.1530)
IndirectLoseP	-0.0003*** (-3.3525)	-0.0003** (-2.4039)	-0.0007* (-1.7707)	-0.0001 (-1.4725)	-0.0003** (-2.6079)	-0.0027*** (-2.9724)	-0.0001 (-1.5814)	-0.0001** (-2.1449)
Controls, Dummies, Cluster	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Panel 5								
AmountTotalP	0.0005*** (4.2126)	0.0003*** (2.9707)	0.0009*** (2.8602)	0.0001*** (2.8834)	0.0003** (2.4349)	0.0050*** (3.3417)	0.0001* (1.9063)	0.0001 (0.2835)
Controls, Dummies, Cluster	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Panel 6								
AmountWonP	0.0005*** (4.3136)	0.0003*** (2.8354)	0.0009*** (2.9217)	0.0001*** (2.8535)	0.0003** (2.4948)	0.0050*** (3.4243)	0.0001 (1.4271)	0.0001 (0.3126)
AmountLoseP	-0.0004** (-2.1037)	-0.0003*** (-2.7272)	-0.0012** (-2.1472)	-0.0001* (-1.8702)	-0.0004*** (-2.6608)	-0.0060*** (-2.7340)	-0.0001 (-1.2517)	-0.0001 (-0.1193)
Controls, Dummies, Cluster	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Panel 7								
IndirectAmountTotalP	0.0001*** (3.7082)	0.0001** (2.1098)	0.0001** (2.4642)	0.0001** (2.5455)	0.0001*** (3.0195)	0.0003** (2.3775)	0.0001** (2.0186)	0.0001* (1.6765)
Controls, Dummies, Cluster	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Panel 8								
IndirectAmountWonP	0.0001*** (3.5300)	0.0001** (2.1310)	0.0001*** (2.9256)	0.0001** (2.5605)	0.0001** (2.6199)	0.0003*** (2.7770)	0.0001** (2.0555)	0.0001 (1.5319)
IndirectAmountLoseP	-0.0001*** (-2.8738)	-0.0001** (-2.0095)	-0.0001** (-2.1181)	-0.0001* (-1.9621)	-0.0001** (-2.0262)	-0.0004** (-2.4154)	-0.0001* (-1.8162)	-0.0001* (-1.6724)
Controls, Dummies, Cluster	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Panel 9								
IncumbentWonP	0.0030*** (4.3737)	0.0013** (2.2713)	0.0076*** (3.0692)	0.0008*** (3.4178)	0.0016*** (2.8366)	0.0193*** (2.9247)	0.0016*** (7.7169)	0.0003 (0.8440)
IncumbentLoseP	-0.0017** (-1.9803)	-0.0008* (-1.6615)	-0.0065** (-2.0602)	-0.0010** (-2.2698)	-0.0023*** (-2.7992)	-0.0202*** (-2.7628)	-0.0010 (-1.2774)	-0.0001 (-0.3840)
ChallengerWonP	0.0036** (2.3786)	0.0022*** (2.6602)	0.0070** (2.0886)	0.0012** (1.9876)	0.0025** (2.2951)	0.0332** (2.2392)	0.0025 (0.8735)	-0.0003 (-0.8072)
ChallengerLoseP	-0.0038** (-2.0373)	-0.0024** (-2.0322)	-0.0156*** (-3.2355)	-0.0029*** (-2.9096)	-0.0025** (-2.1275)	-0.0286** (-2.0397)	0.0007 (1.0732)	-0.0002 (-0.9991)
Controls, Dummies, Cluster	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Panel 10								
DemWonP	0.0026** (2.3664)	0.0011* (1.9289)	0.0053 (1.5555)	0.0007** (1.9909)	0.0019** (2.3032)	0.0219** (2.1142)	0.0013 (0.2339)	0.0003 (0.1595)
DemLoseP	-0.0009 (-0.5522)	-0.0003 (-0.3196)	-0.0061 (-1.0992)	-0.0012* (-1.9300)	-0.0027* (-1.8718)	-0.0187 (-1.4641)	-0.0012 (-0.1436)	-0.0004 (-0.3091)
RepWonP	0.0033*** (4.3422)	0.0016** (2.3244)	0.0101*** (3.6167)	0.0006* (1.8421)	0.0016** (2.3904)	0.0175** (2.5131)	0.0015 (0.4020)	0.0001 (0.0956)
RepLoseP	-0.0022*** (-2.9575)	-0.0013** (-2.4674)	-0.0089*** (-3.2543)	-0.0011** (-2.0006)	-0.0023*** (-2.9173)	-0.0223*** (-2.9722)	-0.0007 (-0.5347)	-0.0001 (-0.2458)
Controls, Dummies, Cluster	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Table 6: State Gubernatorial Elections: Large Firms

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	BTD	PBTD	CASH_ETR	GAAP_ETR	DTAX	SHELTER	REPORTED_UTB	PREDICTED_UTB
Panel 1								
TotalP	0.0184*** (3.6243)	0.0089** (2.2936)	0.0792*** (3.4000)	0.0103** (2.4966)	0.0177*** (4.9632)	0.1416*** (4.2811)	0.0047*** (2.7261)	0.0008*** (2.7522)
Controls, Dummies, Cluster	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	144	141	154	106	74	82	92	95
Panel 2								
WonP	0.0234*** (3.2059)	0.0083* (1.8755)	0.0732*** (3.0186)	0.0090** (2.0259)	0.0218*** (4.0629)	0.1225*** (3.4789)	0.0044** (2.0903)	0.0007** (2.2765)
LoseP	-0.0101 (-1.3851)	-0.0103 (-1.6648)	-0.1009** (-2.0894)	-0.0131*** (-2.6739)	-0.0115** (-2.0806)	-0.1898*** (-3.1473)	-0.0059** (-2.0305)	-0.0010** (-2.0246)
Controls, Dummies, Cluster	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	144	141	154	106	74	82	92	95
Panel 3								
AmountTotalP	0.0004 (1.6517)	0.0031*** (2.7901)	0.0144** (2.2886)	0.0025** (2.4771)	0.0009*** (3.8026)	0.0076** (2.0682)	0.0005** (2.4240)	0.0001* (1.7986)
Controls, Dummies, Cluster	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	144	141	154	106	74	82	92	95
Panel 4								
AmountWonP	0.0003 (1.2215)	0.0029** (2.3130)	0.0173*** (2.8862)	0.0021** (2.3104)	0.0007*** (2.6907)	0.0055 (1.5570)	0.0010** (2.4973)	0.0001* (1.9083)
AmountLoseP	-0.0017* (-1.6868)	-0.0034*** (-2.7330)	-0.0083 (-0.7505)	-0.0033** (-2.3238)	-0.0016** (-2.4597)	-0.0132* (-1.8258)	-0.0001 (-0.6791)	-0.0001 (-0.7437)
Controls, Dummies, Cluster	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	144	141	154	106	74	82	92	95
Panel 5								
IncumbentWonP	0.0136*** (2.9187)	0.0050 (1.3043)	0.0606*** (2.8191)	0.0062 (1.6398)	0.0103 (1.6561)	0.1110** (2.4329)	0.0034 (1.5478)	0.0008** (2.3713)
IncumbentLoseP	-0.0141 (-1.6427)	-0.0174** (-2.3779)	-0.0940* (-1.7847)	-0.0113** (-2.4910)	-0.0179** (-2.2190)	-0.1935*** (-2.7356)	-0.0074* (-1.9335)	-0.0011 (-1.3743)
ChallengerWonP	0.0451*** (4.5800)	0.0248* (1.7242)	0.2304** (2.3394)	0.0300*** (2.7738)	0.0336*** (3.3543)	0.1541* (1.9244)	0.0076** (2.0563)	-0.0000 (-0.0143)
ChallengerLoseP	-0.0125 (-1.1848)	0.0005 (0.0523)	-0.1131 (-1.6064)	-0.0206** (-2.3374)	-0.0048 (-0.5612)	-0.1789** (-2.2628)	-0.0040 (-0.9661)	-0.0009* (-1.7774)
Controls, Dummies, Cluster	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	144	141	154	106	74	82	92	95
Panel 6								
DemWonP	0.0158** (2.1509)	0.0046 (0.9382)	0.0631* (1.9273)	0.0085 (1.5690)	0.0204*** (3.1351)	0.0878* (1.7875)	0.0059** (2.3566)	0.0007* (1.9319)
DemLoseP	-0.0138 (-0.7837)	-0.0133 (-1.4799)	-0.0692 (-1.3076)	-0.0131** (-2.0785)	-0.0137 (-1.2662)	-0.1914*** (-2.8698)	-0.0057 (-1.4400)	-0.0013 (-1.5636)
RepWonP	0.0328*** (2.9343)	0.0126* (1.8255)	0.0741*** (2.6590)	0.0094 (1.5575)	0.0229*** (3.2651)	0.1497*** (3.4260)	0.0033 (1.3800)	0.0008 (1.3070)
RepLoseP	-0.0113 (-1.5835)	-0.0071 (-0.7241)	-0.1582** (-2.0241)	-0.0133* (-1.7939)	-0.0096 (-1.5653)	-0.1864** (-2.0680)	-0.0057 (-1.2813)	-0.0006 (-1.3339)
Controls, Dummies, Cluster	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	144	141	154	106	74	82	92	95

Table 7: State Legislative General Elections: All Firms

This table presents the OLS regression results with fixed effects. The dependent variables are the tax avoidance measures defined in Table 1. The independent variable of interest is *TotalP*. Year fixed effects, firm fixed effects and firm-year controls including ABN\_ACCRUALS, CAPEX, CHG\_NOLCF, EBITDA, EBITDA\_SIGMA, ETBSO, FOREIGN, KLMO\_LOSS, LEVERAGE, NOLCF, PTBI, R\_D, SGA, SHARES\_OUT, SIZE, TLCF, TXBCO, VOL\_ETBSO, VOL\_PTBI and VOL\_SPECIALITEM are included in all regressions. Standard errors are clustered by firm. Robust t-statistics are in parentheses. \*, \*\*, \*\*\* indicate significance at 1%, 5% and 10%.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	BTD	PBTD	CASH_ETR	GAAP_ETR	DTAX	SHELTER	REPORTED_U TB	PREDICTED_ UTB
TotalP	0.0002 (0.0613)	0.0003 (0.1520)	0.0100 (0.9034)	0.0004 (0.2013)	-0.0012 (-0.2814)	0.0328 (0.8456)	0.0036* (1.8801)	0.0002 (0.9590)
PTBI	0.4761** (2.5094)	0.2928 (1.6377)	0.0688 (0.3914)	-0.0015 (-0.0164)	-0.0250 (-0.1827)	2.2034 (1.4820)	-0.0259 (-0.4403)	0.0159*** (3.5823)
VOL_PTBI	-0.0233 (-0.1337)	-0.0123 (-0.0962)	0.4355 (0.7694)	-0.0737 (-0.2481)	0.3238 (1.2183)	2.1278 (0.9075)	0.2379 (1.4121)	0.0155 (1.2435)
LEVERAGE	0.0286 (0.9477)	0.0005 (0.0211)	-0.1117 (-0.9018)	-0.0688 (-1.6470)	-0.0223 (-0.4066)	-0.4443 (-0.6307)	-0.0193 (-0.6749)	0.0026 (0.5364)
SIZE	0.0015 (0.0706)	0.0109 (0.4946)	-0.0140 (-0.3100)	-0.0009 (-0.0294)	0.0111 (0.3987)	0.4028 (1.3742)	0.0596* (1.6545)	-0.0036 (-0.9673)
ABN_ACCRUALS	0.0412 (0.5402)	-0.0040 (-0.0790)	-0.2234 (-1.1455)	0.0145 (0.1432)	-0.1228 (-1.2695)	1.4607 (1.6089)	-0.0598 (-1.3433)	0.0069 (1.2269)
SHARES_OUT	-0.0061 (-0.4188)	-0.0030 (-0.2128)	-0.0140 (-0.4113)	-0.0077 (-0.5546)	0.0148 (0.9071)	-0.0016 (-0.0086)	0.0247 (0.9137)	0.0002 (0.5813)
VOL_SPECIALITEM	0.1683 (0.6634)	0.2018 (0.9266)	-0.4224 (-0.5763)	-0.0059 (-0.0117)	-0.1482 (-0.4218)	-1.6502 (-0.4854)	-0.1446 (-0.7231)	-0.0123 (-1.2917)
VOL_ETBSO	3.8304 (1.5945)	2.1890 (0.5944)	-5.5108 (-0.8855)	2.5118 (0.5313)	-0.7563 (-0.3303)	38.4676 (1.2321)	-0.3711 (-0.9072)	0.1389 (0.8547)
ETBSO	-0.8047* (-1.7184)	-0.5770 (-1.1720)	-0.7622 (-0.7715)	-3.5796*** (-4.0317)	-1.1805** (-2.5388)	-5.0138 (-0.6963)	1.1950* (1.8297)	-0.0428 (-1.2571)
CHG_NOLCF	0.0482 (0.4548)	0.0177 (0.3224)	-0.1707 (-0.5553)	-0.0021 (-0.0192)	-0.0638 (-0.3764)	-6.2529*** (-5.0750)	0.0631 (1.3336)	0.0034 (0.7757)
NOLCF	0.0209 (0.4178)	0.0110 (0.2473)	0.4392 (1.2123)	0.0143 (0.4638)	0.0663 (0.4758)	-0.4164 (-0.5988)	0.0522* (1.9411)	-0.0001 (-0.1910)
KLMO_LOSS	-0.0099 (-0.6455)	-0.0040 (-0.4025)	-0.0057 (-0.0759)	-0.0029 (-0.1502)	-0.0044 (-0.2580)	-0.1731 (-0.9924)	-0.0038 (-0.3955)	0.0001 (0.0840)
SGA	-0.0117 (-0.1357)	0.0106 (0.1604)	0.2894 (1.1876)	0.0109 (0.1228)	0.0181 (0.1573)	1.0301 (0.9966)	-0.0526 (-1.1152)	0.0168*** (3.8673)
TLCF	-0.0109 (-0.8985)	0.0065 (0.6441)	0.0236 (0.3132)	-0.0201 (-0.5702)	-0.0108 (-0.4854)	0.0014 (0.0060)	-0.0653** (-2.0046)	-0.0008 (-0.3921)
FOREIGN	0.0364** (2.4233)	0.0146 (1.1495)	0.0223 (0.4488)	0.0641 (0.9951)	-0.0015 (-0.0505)	1.9783*** (9.4007)	0.0132 (1.1103)	0.0008 (0.8957)
TXBCO	0.0032 (0.2316)	0.0059 (0.5471)	-0.0241 (-0.5333)	-0.0196 (-1.1467)	0.0308 (1.3480)	0.0874 (0.5128)	0.0087* (1.7754)	0.0002 (0.1628)
R_D	-0.2385 (-0.5383)	0.0436 (0.0846)	0.3377 (0.9283)	-0.0136 (-0.0443)	0.4505 (1.1260)	-3.4181 (-0.6345)	-0.2735 (-0.6660)	0.0893*** (17.3422)
CAPEX	-0.0032 (-0.0197)	0.2150 (1.0181)	0.1161 (0.3330)	0.0763 (0.7215)	0.1207 (0.4697)	-0.0475 (-0.0243)	-0.0093 (-0.3739)	-0.0092* (-1.8912)
EBITDA_SIGMA	0.0019 (0.0074)	0.0142 (0.1156)	-0.5795 (-0.7684)	0.1712 (0.5656)	-0.6181 (-1.2866)	-1.4877 (-0.3930)	0.4548 (1.4302)	0.0012 (0.0646)
EBITDA	-0.2255 (-1.1392)	-0.1200 (-0.5424)	-0.1427 (-0.4130)	0.0940 (0.6585)	0.1424 (0.5532)	-0.1503 (-0.0657)	-0.0183 (-0.2124)	-0.0101* (-1.8994)
Constant	0.0191 (0.1385)	-0.0889 (-0.8629)	-0.2060 (-0.6701)	0.0194 (0.0800)	-0.1820 (-0.9196)	-2.9838 (-1.4601)	-0.5228* (-1.7445)	0.0263 (1.0526)
Firm Dummy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year Dummy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Cluster	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	692	663	592	518	310	368	291	529
R-squared	0.995	0.991	0.865	0.987	0.995	0.997	1.000	0.998

Table 8: State Legislative General Elections: Firms Supporting Winners of the Losing Party

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	BTD	PBTD	CASH_ETR	GAAP_ETR	DTAX	SHELTER	REPORTED_U TB	PREDICTED_ UTB
TotalP*Dummy(Donate to Winner of Losing Party)	-0.0774** (-1.9678)	-0.0443* (-1.6634)	-0.1167* (-1.6827)	-0.0988* (-1.9426)	-0.0501* (-1.7621)	-2.1521* (-1.7232)	-0.0123* (-1.9189)	-0.0026* (-1.7193)
TotalP	0.0006 (0.1814)	0.0003 (0.1728)	0.0103 (0.9200)	0.0012 (0.7028)	0.0004 (0.0998)	0.0427 (1.0226)	0.0052** (2.5733)	0.0002 (0.9929)
Dummy(Donate to Winner of Losing Party)	-0.0069 (-0.5134)	-0.0225* (-1.9469)	-0.0230 (-0.8809)	-0.0095 (-0.6388)	-0.0035 (-0.2241)	-0.0654 (-0.5555)	-0.0113** (-2.0455)	-0.0010 (-0.8966)
PTBI	0.4802** (2.5826)	0.2637 (1.5781)	0.1010 (0.5582)	0.0304 (0.3462)	-0.0597 (-0.4606)	1.8877 (1.2990)	-0.0329 (-0.8036)	0.0157*** (3.5516)
VOL_PTBI	-0.0002 (-0.0012)	-0.0234 (-0.2050)	0.4466 (0.7598)	0.0398 (0.1413)	0.2988 (1.1208)	2.2238 (0.9766)	0.2359* (1.9139)	0.0138 (1.0797)
LEVERAGE	0.0221 (0.7325)	-0.0014 (-0.0613)	-0.1155 (-0.9258)	-0.0538 (-1.3224)	-0.0309 (-0.5493)	-0.6268 (-0.9408)	-0.0206 (-0.7163)	0.0027 (0.5664)
SIZE	0.0056 (0.2687)	0.0107 (0.5001)	-0.0154 (-0.3380)	-0.0132 (-0.4522)	0.0135 (0.4897)	0.4580* (1.7876)	0.0613** (1.9896)	-0.0038 (-1.0367)
ABN_ACCRUALS	0.0276 (0.3703)	-0.0040 (-0.0807)	-0.2194 (-1.1170)	-0.0288 (-0.3071)	-0.1364 (-1.3823)	1.3403 (1.4704)	-0.0560* (-1.8818)	0.0068 (1.2305)
SHARES_OUT	-0.0064 (-0.4352)	-0.0042 (-0.3109)	-0.0159 (-0.4587)	-0.0076 (-0.4814)	0.0153 (0.9677)	-0.0088 (-0.0483)	0.0299 (1.2456)	0.0002 (0.5576)
VOL_SPECIALITEM	0.1531 (0.6384)	0.1988 (0.9808)	-0.5158 (-0.6792)	-0.1861 (-0.4028)	-0.0751 (-0.2347)	-1.0592 (-0.3075)	-0.1759 (-1.2545)	-0.0120 (-1.2366)
VOL_ETBSO	4.8234* (1.8903)	3.7772 (1.1472)	-3.7176 (-0.6686)	4.5491 (1.0207)	0.8492 (0.3991)	98.6103** (2.4174)	-0.0619 (-0.1339)	0.1229 (0.7571)
ETBSO	-0.7574* (-1.7609)	-0.5017 (-1.1982)	-0.9057 (-0.8808)	-3.8250*** (-4.6406)	-1.0889*** (-2.8352)	-0.5721 (-0.0884)	1.1981** (2.4575)	-0.0490 (-1.4130)
CHG_NOLCF	0.0495 (0.4664)	0.0044 (0.0832)	-0.2059 (-0.6806)	0.0034 (0.0340)	-0.0613 (-0.4026)	-6.1261*** (-5.4967)	0.0837* (1.7830)	0.0034 (0.8897)
NOLCF	0.0268 (0.5644)	0.0188 (0.5002)	0.4486 (1.2686)	0.0097 (0.3254)	0.0811 (0.5656)	-0.1777 (-0.2560)	0.0568*** (2.7560)	-0.0001 (-0.2546)
KLMO_LOSS	-0.0103 (-0.6800)	-0.0027 (-0.2988)	0.0012 (0.0165)	-0.0002 (-0.0123)	-0.0080 (-0.4666)	-0.1838 (-1.0026)	-0.0014 (-0.1721)	0.0002 (0.1544)
SGA	0.0208 (0.2559)	0.0025 (0.0421)	0.3223 (1.2816)	0.0409 (0.5151)	0.0229 (0.2021)	1.3429 (1.3826)	-0.0574 (-1.4552)	0.0167*** (3.0491)
TLCF	-0.0076 (-0.6465)	0.0053 (0.5526)	0.0212 (0.2816)	-0.0132 (-0.4319)	-0.0070 (-0.3332)	-0.0160 (-0.0748)	-0.0743*** (-2.7515)	-0.0007 (-0.3400)
FOREIGN	0.0381** (2.5227)	0.0125 (0.9344)	0.0252 (0.5216)	0.0715 (1.1667)	-0.0038 (-0.1302)	1.9880*** (10.3266)	0.0146 (1.4568)	0.0005 (0.5259)
TXBCO	0.0013 (0.0976)	0.0053 (0.5295)	-0.0281 (-0.6098)	-0.0266 (-1.5150)	0.0277 (1.2764)	-0.0167 (-0.1039)	0.0052 (1.1104)	0.0004 (0.3540)
R_D	-0.2792 (-0.6268)	0.1777 (0.4076)	0.4123 (1.1102)	-0.0402 (-0.1057)	0.4565 (1.2138)	-4.2615 (-0.8990)	-0.1864 (-0.5644)	0.0887*** (16.8318)
CAPEX	-0.0213 (-0.1338)	0.2224 (1.0655)	0.1256 (0.3638)	0.0698 (0.7094)	0.1634 (0.6337)	-0.4642 (-0.2510)	-0.0143 (-0.6808)	-0.0088* (-1.7501)
EBITDA_SIGMA	-0.0477 (-0.1971)	0.0188 (0.1638)	-0.5356 (-0.7157)	0.1505 (0.4989)	-0.7911 (-1.5145)	-2.1770 (-0.5700)	0.4959* (1.8689)	0.0012 (0.0659)
EBITDA	-0.2311 (-1.1796)	-0.0938 (-0.4412)	-0.2249 (-0.6571)	0.0184 (0.1409)	0.2075 (0.8128)	0.2006 (0.0896)	-0.0355 (-0.5819)	-0.0095* (-1.7642)
Constant	-0.0138 (-0.1046)	-0.0823 (-0.8341)	-0.1828 (-0.5801)	0.1051 (0.4672)	-0.2075 (-1.0214)	-3.3689* (-1.8591)	-0.5532** (-2.4003)	0.0280 (1.1210)
Firm Dummy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year Dummy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Cluster	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	692	663	592	518	310	368	291	529
R-squared	0.996	0.991	0.867	0.989	0.996	0.997	1.000	0.998

Table A1: Federal Congressional General Elections: All Firms, Other Political Contribution Measures

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	BTD	PBTD	CASH_ETR	GAAP_ETR	DTAX	SHELTER	REPORTED_UTB	PREDICTED_UTB
Panel 1								
WonP	0.0008* (1.7774)	0.0004 (1.1556)	0.0006 (0.4072)	-0.0020** (-2.0573)	-0.0003 (-0.7675)	0.0035 (0.9372)	-0.0003 (-0.7835)	-0.0001 (-0.7254)
LoseP	-0.0007 (-1.5153)	-0.0009 (-1.5355)	-0.0018 (-0.9249)	-0.0002 (-0.1305)	-0.0004 (-0.6102)	-0.0051 (-1.3067)	-0.0004 (-0.6810)	0.0001 (0.4095)
Controls, Dummies, Cluster	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Panel 2								
IndirectTotalP	0.0002 (1.3210)	0.0002** (2.1372)	0.0004* (1.9566)	-0.0001 (-0.5388)	0.0001 (0.7307)	0.0009 (0.8401)	0.0001 (0.7352)	0.0001 (0.2088)
Controls, Dummies, Cluster	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Panel 3								
IndirectWonP	0.0002 (1.6004)	0.0003** (2.5161)	0.0005** (2.0756)	-0.0001 (-0.6993)	0.0002 (1.1964)	0.0011 (0.8890)	0.0001 (0.9772)	0.0001 (0.2938)
IndirectLoseP	-0.0002* (-1.7651)	-0.0003*** (-2.6537)	-0.0006* (-1.9085)	0.0001 (0.7191)	-0.0002 (-1.2439)	-0.0013 (-0.8947)	-0.0001 (-0.9904)	-0.0001 (-0.5300)
Controls, Dummies, Cluster	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Panel 4								
AmountTotalP	0.0002 (1.4344)	0.0002* (1.7863)	-0.0003 (-1.0396)	-0.0001 (-0.5957)	0.0001 (0.4089)	0.0008 (0.7327)	0.0001 (0.1398)	-0.0001 (-0.4415)
Controls, Dummies, Cluster	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Panel 5								
AmountWonP	0.0002 (1.3725)	0.0002* (1.6665)	-0.0003 (-1.0587)	-0.0001 (-0.7690)	0.0001 (0.3485)	0.0007 (0.5953)	-0.0001 (-0.0071)	-0.0001 (-0.4804)
AmountLoseP	-0.0002 (-1.1674)	-0.0003 (-1.5990)	0.0002 (0.3684)	-0.0001 (-0.1004)	-0.0003 (-1.3309)	-0.0025** (-2.0218)	-0.0001 (-0.4845)	0.0001 (0.3050)
Controls, Dummies, Cluster	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Panel 6								
IndirectAmountTotalP	0.0001 (1.3932)	0.0001 (1.4957)	0.0001 (1.5894)	-0.0001 (-0.3533)	0.0001 (0.6693)	0.0001 (0.9670)	0.0001 (0.7596)	0.0001 (0.1910)
Controls, Dummies, Cluster	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Panel 7								
IndirectAmountWonP	0.0001* (1.9214)	0.0001* (1.8363)	0.0001* (1.7594)	-0.0001 (-0.5058)	0.0001 (1.0914)	0.0002 (1.0480)	0.0001 (0.9532)	0.0001 (0.2797)
IndirectAmountLoseP	-0.0001** (-2.4575)	-0.0001** (-2.1010)	-0.0001 (-1.5217)	0.0001 (0.6833)	-0.0001 (-1.2424)	-0.0002 (-1.1197)	-0.0001 (-1.0766)	-0.0001 (-0.5208)
Controls, Dummies, Cluster	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Panel 8								
IncumbentWonP	0.0006 (1.1557)	0.0002 (0.6804)	0.0013 (0.7725)	-0.0019** (-2.1056)	-0.0003 (-0.6574)	0.0021 (0.5323)	-0.0004 (-0.8044)	-0.0002 (-0.6426)
IncumbentLoseP	-0.0005 (-1.0352)	-0.0007 (-1.2835)	-0.0021 (-0.8864)	-0.0003 (-0.2863)	-0.0003 (-0.4946)	-0.0045 (-1.1028)	-0.0001 (-0.1348)	0.0001 (0.3697)
ChallengerWonP	0.0023** (2.1343)	0.0011 (0.6706)	-0.0029 (-0.7263)	-0.0031 (-1.1305)	-0.0003 (-0.2335)	0.0137 (1.2988)	0.0005 (0.2383)	-0.0001 (-0.2458)
ChallengerLoseP	-0.0016 (-1.3183)	-0.0018 (-1.2622)	-0.0008 (-0.1895)	0.0008 (0.2626)	-0.0006 (-0.5140)	-0.0082 (-0.7791)	-0.0014 (-0.9645)	0.0001 (0.0074)
Controls, Dummies, Cluster	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Panel 9								
DemWonP	0.0006 (0.8206)	0.0006 (0.9720)	-0.0006 (-0.2546)	-0.0036** (-2.0911)	0.0003 (0.4273)	0.0033 (0.5097)	-0.0008 (-1.3189)	-0.0001 (-0.1716)
DemLoseP	-0.0006 (-0.7752)	-0.0013 (-1.5316)	0.0002 (0.0673)	0.0023 (1.0766)	-0.0010 (-0.9130)	-0.0043 (-0.6390)	0.0008 (0.6750)	-0.0001 (-0.2066)
RepWonP	0.0010* (1.8933)	0.0002 (0.4272)	0.0014 (0.6475)	-0.0020 (-1.4016)	-0.0008 (-1.2393)	0.0035 (0.6910)	0.0004 (0.2719)	-0.0002 (-0.6509)
RepLoseP	-0.0008 (-1.4292)	-0.0006 (-1.0515)	-0.0027 (-1.2732)	-0.0010 (-0.7983)	-0.0001 (-0.1332)	-0.0055 (-1.1035)	-0.0007 (-1.0519)	0.0002 (0.6022)
Controls, Dummies, Cluster	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Table A2: Federal Congressional General Elections: Small Firms

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	BTD	PBTD	CASH_ETR	GAAP_ETR	DTAX	SHELTER	REPORTED_ UTB	PREDICTED_ UTB
Panel 1								
TotalP	0.0004 (0.7340)	0.0004 (0.7993)	-0.0015 (-0.8036)	-0.0015 (-1.1578)	-0.0003 (-0.6320)	0.0016 (0.3910)	-0.0000 (-0.1063)	-0.0002 (-0.5432)
Controls, Dummies, Cluster	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Panel 2								
WonP	0.0003 (0.4338)	0.0001 (0.3376)	-0.0020 (-0.9274)	-0.0026 (-1.5511)	-0.0006 (-1.1667)	0.0003 (0.0615)	-0.0005 (-0.7772)	-0.0002 (-0.5779)
LoseP	-0.0005 (-0.8934)	-0.0008 (-1.0223)	0.0007 (0.2988)	0.0003 (0.1535)	-0.0001 (-0.1262)	-0.0033 (-0.6448)	-0.0004 (-0.5555)	0.0002 (0.4967)
Controls, Dummies, Cluster	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Panel 3								
IndirectTotalP	-0.0002 (-0.3726)	0.0004* (1.9151)	0.0003 (0.7462)	-0.0001 (-0.3168)	0.0003 (0.9233)	-0.0005 (-0.1922)	0.0001 (0.5985)	-0.0000 (-0.0250)
Controls, Dummies, Cluster	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Panel 4								
IndirectWonP	-0.0002 (-0.3932)	0.0004* (1.8791)	0.0003 (0.7159)	-0.0001 (-0.4268)	0.0003 (0.9695)	-0.0005 (-0.2110)	0.0001 (0.6181)	0.0000 (0.0496)
IndirectLoseP	0.0001 (0.1824)	-0.0004** (-2.0351)	-0.0003 (-0.7916)	0.0001 (0.5401)	-0.0004 (-1.1798)	-0.0001 (-0.0272)	-0.0001 (-0.7137)	-0.0000 (-0.1947)
Controls, Dummies, Cluster	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Panel 5								
AmountTotalP	0.0001 (0.6371)	0.0003 (1.2138)	-0.0004 (-0.7503)	-0.0001 (-0.3483)	-0.0000 (-0.0155)	0.0004 (0.2535)	0.0000 (0.0298)	-0.0000 (-0.6639)
Controls, Dummies, Cluster	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Panel 6								
AmountWonP	0.0001 (0.2560)	0.0003 (0.9580)	-0.0003 (-0.4763)	-0.0001 (-0.1487)	-0.0002 (-0.7660)	-0.0019 (-0.7664)	-0.0001 (-0.5519)	-0.0000 (-0.6768)
AmountLoseP	-0.0002 (-0.8318)	-0.0003 (-1.2258)	0.0007 (0.7713)	0.0002 (0.4081)	-0.0003 (-0.8367)	-0.0031 (-1.3421)	-0.0001 (-0.5732)	0.0000 (0.5957)
Controls, Dummies, Cluster	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Panel 7								
IndirectAmountTotalP	-0.0000 (-0.3623)	0.0000 (1.4129)	-0.0000 (-0.2104)	-0.0000 (-0.1632)	0.0000 (1.0197)	0.0000 (0.0752)	0.0000 (0.6471)	0.0000 (0.0807)
Controls, Dummies, Cluster	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Panel 8								
IndirectAmountWonP	-0.0000 (-0.3333)	0.0000 (1.4986)	-0.0000 (-0.1964)	-0.0000 (-0.2643)	0.0000 (1.1740)	0.0000 (0.1089)	0.0000 (0.6655)	0.0000 (0.1384)
IndirectAmountLoseP	-0.0000 (-0.0205)	-0.0000* (-1.7778)	0.0000 (0.0887)	0.0000 (0.4004)	-0.0001 (-1.4630)	-0.0001 (-0.3388)	-0.0000 (-0.8453)	-0.0000 (-0.2570)
Controls, Dummies, Cluster	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Panel 9								
IncumbentWonP	-0.0001 (-0.1621)	-0.0001 (-0.1985)	-0.0017 (-0.7646)	-0.0024 (-1.4837)	-0.0008 (-1.2590)	-0.0027 (-0.5065)	-0.0009 (-1.0598)	-0.0002 (-0.5364)
IncumbentLoseP	-0.0005 (-0.8754)	-0.0007 (-1.0649)	-0.0004 (-0.1253)	0.0001 (0.0596)	-0.0000 (-0.0090)	-0.0034 (-0.6708)	0.0002 (0.1579)	0.0003 (0.5454)
ChallengerWonP	0.0027** (1.9741)	0.0017 (0.6787)	-0.0037 (-0.7054)	-0.0040 (-1.0723)	0.0002 (0.1317)	0.0192 (1.6190)	0.0015 (0.5781)	-0.0000 (-0.1390)
ChallengerLoseP	-0.0003 (-0.1959)	-0.0010 (-0.4729)	0.0043 (0.7518)	0.0011 (0.2648)	-0.0003 (-0.2158)	-0.0005 (-0.0351)	-0.0024 (-0.7292)	-0.0002 (-0.5190)
Controls, Dummies, Cluster	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Panel 10								
DemWonP	-0.0003 (-0.2665)	0.0004 (0.4113)	-0.0013 (-0.3965)	-0.0050* (-1.7633)	-0.0006 (-0.6204)	-0.0056 (-0.6135)	-0.0008 (-0.9827)	-0.0000 (-0.1233)
DemLoseP	-0.0011 (-1.1428)	-0.0013 (-1.5004)	0.0028 (0.5762)	0.0034 (0.8940)	-0.0010 (-0.8842)	-0.0069 (-0.8503)	0.0011 (0.8052)	0.0000 (0.0699)
RepWonP	0.0008 (1.0974)	-0.0000 (-0.0380)	-0.0030 (-1.0151)	-0.0010 (-0.5540)	-0.0006 (-0.9777)	0.0050 (0.8686)	0.0004 (0.2404)	-0.0002 (-0.6417)
RepLoseP	-0.0003 (-0.3249)	-0.0005 (-0.5147)	-0.0001 (-0.0339)	-0.0006 (-0.3413)	0.0003 (0.3977)	-0.0017 (-0.2363)	-0.0010 (-1.0169)	0.0002 (0.6703)
Controls, Dummies, Cluster	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Table A3: State Gubernatorial Elections: All Firms

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	BTD	PBTD	CASH_ETR	GAAP_ETR	DTAX	SHELTER	REPORTED_UTB	PREDICTED_UTB
<b>Panel 1</b>								
TotalP	0.0030 (1.0012)	0.0007 (0.4046)	0.0166 (1.3154)	0.0029* (1.7238)	-0.0005 (-0.1905)	0.0233 (1.0227)	-0.0011* (-1.6840)	0.0002 (0.9949)
Controls, Dummies, Cluster	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	274	270	294	202	141	156	175	182
<b>Panel 2</b>								
WonP	0.0048 (1.4180)	0.0021 (0.9327)	0.0201 (1.2585)	0.0019 (1.1123)	0.0015 (0.4101)	0.0265 (0.9061)	-0.0007 (-0.8643)	0.0003 (1.4464)
LoseP	0.0004 (0.0723)	0.0018 (0.3888)	-0.0097 (-0.3168)	-0.0050** (-2.1598)	0.0040 (0.7404)	-0.0178 (-0.2997)	0.0021 (1.0705)	0.0001 (0.1438)
Controls, Dummies, Cluster	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	274	270	294	202	141	156	175	182
<b>Panel 3</b>								
AmountTotalP	0.0004* (1.8164)	0.0001 (0.7764)	0.0008 (0.7769)	0.0004 (1.2502)	0.0003 (1.5261)	0.0025 (1.3722)	-0.0001 (-0.6436)	0.0000 (0.2556)
Controls, Dummies, Cluster	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	274	270	294	202	141	156	175	182
<b>Panel 4</b>								
AmountWonP	0.0004** (2.0770)	0.0002 (1.3402)	0.0008 (0.7467)	0.0003 (0.9882)	0.0004* (1.8181)	0.0036** (2.1343)	-0.0002 (-0.7841)	0.0001 (1.2676)
AmountLoseP	-0.0002 (-0.6021)	0.0001 (0.4037)	-0.0007 (-0.4877)	-0.0005 (-1.1877)	-0.0001 (-0.1450)	0.0017 (0.2704)	0.0000 (0.1386)	0.0000 (0.8354)
Controls, Dummies, Cluster	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	274	270	294	202	141	156	175	182
<b>Panel 5</b>								
IncumbentWonP	0.0040 (1.3225)	-0.0031 (-0.9773)	0.0157 (0.8931)	0.0013 (0.7495)	-0.0046 (-1.0693)	0.0231 (0.7000)	-0.0007 (-0.6835)	0.0003 (1.2180)
IncumbentLoseP	0.0019 (0.3292)	-0.0022 (-0.4517)	-0.0028 (-0.0720)	-0.0039 (-1.3081)	-0.0016 (-0.2354)	-0.0302 (-0.4410)	0.0037 (1.5792)	-0.0002 (-0.3115)
ChallengerWonP	0.0093 (1.2703)	0.0148** (2.0845)	0.0431 (1.2172)	0.0059 (1.4992)	0.0128 (1.5283)	0.0207 (0.3390)	0.0016 (0.6337)	0.0002 (0.4535)
ChallengerLoseP	-0.0028 (-0.3563)	0.0076 (1.0359)	-0.0233 (-0.6246)	-0.0062 (-1.5434)	0.0104 (1.2653)	0.0002 (0.0021)	-0.0003 (-0.0883)	0.0004 (0.9575)
Controls, Dummies, Cluster	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	274	270	294	202	141	156	175	182
<b>Panel 6</b>								
DemWonP	0.0027 (0.6800)	-0.0018 (-0.5135)	0.0184 (0.7803)	0.0027 (0.8489)	-0.0012 (-0.2326)	-0.0040 (-0.1030)	0.0003 (0.1975)	0.0002 (0.9753)
DemLoseP	-0.0038 (-0.5532)	-0.0007 (-0.1386)	-0.0065 (-0.1578)	-0.0013 (-0.5562)	0.0042 (0.5018)	-0.0272 (-0.3288)	0.0041* (1.9624)	-0.0001 (-0.1151)
RepWonP	0.0068 (1.4610)	0.0057 (1.5674)	0.0215 (0.9265)	0.0010 (0.4848)	0.0044 (0.8346)	0.0555 (1.2938)	-0.0013 (-1.1098)	0.0004 (1.0682)
RepLoseP	0.0040 (0.6716)	0.0032 (0.4336)	-0.0139 (-0.4470)	-0.0114** (-2.2635)	0.0037 (0.6562)	-0.0147 (-0.2166)	-0.0010 (-0.3595)	0.0003 (0.7043)
Controls, Dummies, Cluster	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	274	270	294	202	141	156	175	182

Table A4: State Gubernatorial Elections: Small Firms

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	BTD	PBTD	CASH_ETR	GAAP_ETR	DTAX	SHELTER	REPORTED_UTB	PREDICTED_UTB
<b>Panel 1</b>								
TotalP	0.0026 (0.8937)	0.0002 (0.1134)	0.0076 (0.5554)	0.0035* (1.7996)	-0.0018 (-0.6570)	0.0255 (1.0097)	-0.0016** (-2.2637)	0.0001 (0.6163)
Controls, Dummies, Cluster	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	130	129	140	96	67	74	83	87
<b>Panel 2</b>								
WonP	0.0045 (1.3392)	0.0015 (0.5778)	0.0103 (0.5408)	0.0024 (1.1827)	-0.0001 (-0.0190)	0.0290 (0.9093)	-0.0006 (-0.6014)	0.0002 (1.1166)
LoseP	0.0007 (0.1257)	0.0021 (0.3996)	-0.0026 (-0.0712)	-0.0061** (-2.0094)	0.0051 (0.8018)	-0.0194 (-0.2912)	0.0041* (1.8706)	0.0002 (0.4728)
Controls, Dummies, Cluster	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	130	129	140	96	67	74	83	87
<b>Panel 3</b>								
AmountTotalP	0.0003 (1.5547)	0.0000 (0.2139)	0.0005 (0.4663)	0.0004 (1.2076)	0.0002 (0.7784)	0.0027 (1.2255)	-0.0003 (-1.4320)	-0.0000 (-0.1835)
Controls, Dummies, Cluster	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	130	129	140	96	67	74	83	87
<b>Panel 4</b>								
AmountWonP	0.0003* (1.8266)	0.0001 (0.6283)	0.0005 (0.4066)	0.0003 (0.8742)	0.0002 (0.8846)	0.0043** (2.0661)	-0.0005** (-2.2406)	0.0000 (0.4021)
AmountLoseP	-0.0002 (-0.4923)	0.0002 (0.6054)	-0.0007 (-0.4444)	-0.0004 (-1.1353)	-0.0001 (-0.0858)	0.0025 (0.3932)	0.0001 (0.3405)	0.0000 (0.5186)
Controls, Dummies, Cluster	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	130	129	140	96	67	74	83	87
<b>Panel 5</b>								
IncumbentWonP	0.0038 (1.1235)	-0.0027 (-0.7300)	0.0075 (0.3530)	0.0015 (0.7453)	-0.0055 (-1.2278)	0.0266 (0.7057)	0.0004 (0.3083)	0.0002 (1.1909)
IncumbentLoseP	0.0017 (0.2292)	-0.0023 (-0.4168)	0.0052 (0.1162)	-0.0049 (-1.2322)	-0.0012 (-0.1531)	-0.0438 (-0.5487)	0.0067*** (2.6781)	-0.0001 (-0.1921)
ChallengerWonP	0.0082 (1.0619)	0.0109 (1.2770)	0.0268 (0.7212)	0.0075* (1.7986)	0.0100 (1.0227)	0.0051 (0.0696)	-0.0010 (-0.3694)	-0.0002 (-0.5854)
ChallengerLoseP	-0.0016 (-0.1872)	0.0076 (0.9392)	-0.0186 (-0.4468)	-0.0073 (-1.5462)	0.0111 (1.2110)	0.0198 (0.2348)	0.0003 (0.0959)	0.0005 (1.2711)
Controls, Dummies, Cluster	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	130	129	140	96	67	74	83	87
<b>Panel 6</b>								
DemWonP	0.0035 (0.7907)	-0.0018 (-0.4348)	0.0090 (0.3315)	0.0026 (0.6578)	-0.0022 (-0.4124)	0.0059 (0.1285)	0.0010 (0.5717)	0.0003 (1.0433)
DemLoseP	-0.0033 (-0.4254)	0.0005 (0.0935)	-0.0101 (-0.2176)	-0.0021 (-0.7121)	0.0053 (0.5811)	-0.0113 (-0.1280)	0.0060*** (2.6648)	0.0001 (0.3233)
RepWonP	0.0054 (1.1289)	0.0045 (1.0960)	0.0114 (0.4456)	0.0021 (0.7390)	0.0023 (0.4022)	0.0535 (1.2171)	-0.0017 (-1.2516)	0.0001 (0.5110)
RepLoseP	0.0050 (0.7152)	0.0034 (0.4013)	0.0063 (0.1742)	-0.0143** (-2.1305)	0.0048 (0.7448)	-0.0270 (-0.3447)	0.0012 (0.3580)	0.0002 (0.5832)
Controls, Dummies, Cluster	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	130	129	140	96	67	74	83	87



Table A5: State Legislative General Elections: All Firms, Other Explanatory Variables

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	BTD	PBTD	CASH_ETR	GAAP_ETR	DTAX	SHELTER	REPORTED_U TB	PREDICTED_ UTB
Panel 1								
WonP	0.0013 (0.3733)	0.0005 (0.2276)	0.0125 (1.1932)	0.0008 (0.3295)	-0.0013 (-0.2867)	0.0512 (1.0834)	0.0045** (2.4488)	0.0002 (0.7669)
LoseP	0.0020 (0.5435)	0.0001 (0.0539)	-0.0049 (-0.3514)	0.0001 (0.0514)	0.0011 (0.1788)	-0.0132 (-0.3311)	-0.0012 (-0.6058)	-0.0002 (-0.6626)
Controls, Dummies, Cluster	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Panel 2								
AmountTotalP	0.0001 (0.2660)	0.0003 (1.3586)	0.0005 (0.3448)	0.0001 (0.2751)	0.0006 (0.5418)	0.0173* (1.7972)	-0.0001 (-0.0181)	0.0001 (0.6620)
Controls, Dummies, Cluster	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Panel 3								
AmountWonP	0.0004 (0.7226)	0.0005 (0.7428)	0.0028 (1.2611)	-0.0001 (-0.2697)	-0.0003 (-0.2029)	0.0234 (1.2999)	0.0003 (1.1732)	0.0001 (0.2112)
AmountLoseP	0.0001 (0.0492)	-0.0002 (-0.8351)	0.0002 (0.1728)	-0.0002 (-0.5736)	-0.0013 (-1.0771)	-0.0137 (-1.3552)	0.0002 (0.4679)	-0.0001 (-0.6624)
Controls, Dummies, Cluster	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Panel 4								
IncumbentWonP	0.0025 (0.6007)	0.0004 (0.1163)	0.0104 (0.8862)	0.0015 (0.4563)	-0.0008 (-0.1464)	0.0427 (0.8532)	0.0068*** (4.3080)	0.0002 (0.4215)
IncumbentLoseP	0.0012 (0.2979)	0.0004 (0.1467)	-0.0053 (-0.3041)	0.0001 (0.0373)	0.0018 (0.2673)	0.0118 (0.2503)	0.0041 (1.2502)	-0.0003 (-0.9630)
ChallengerWonP	-0.0048 (-0.2732)	-0.0033 (-0.1614)	0.0516 (0.9959)	-0.0065 (-0.4165)	-0.0069 (-0.2990)	-0.2599 (-1.2309)	-0.0307 (-1.4737)	-0.0005 (-0.4493)
ChallengerLoseP	0.0143 (0.7441)	0.0125 (0.3882)	-0.0175 (-0.4585)	0.0101 (0.5227)	0.0180 (0.7865)	0.4966 (1.5582)	0.0021 (0.1800)	0.0001 (0.0567)
Controls, Dummies, Cluster	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Panel 5								
DemWonP	-0.0016 (-0.4124)	-0.0002 (-0.0658)	0.0052 (0.4676)	-0.0006 (-0.2043)	0.0001 (0.0168)	0.0253 (0.2514)	0.0042 (1.3937)	0.0001 (0.1586)
DemLoseP	0.0054 (0.9507)	0.0017 (0.5182)	0.0059 (0.3637)	0.0011 (0.2064)	-0.0005 (-0.0673)	-0.0018 (-0.0344)	-0.0025 (-1.2025)	-0.0003 (-0.7042)
RepWonP	0.0035 (0.7574)	0.0010 (0.3491)	0.0165 (1.1142)	0.0022 (0.7013)	-0.0024 (-0.4609)	0.0759 (1.3192)	0.0040** (2.1176)	0.0003 (0.7491)
RepLoseP	-0.0005 (-0.1062)	-0.0011 (-0.3503)	-0.0117 (-0.6604)	-0.0004 (-0.1350)	0.0028 (0.3085)	-0.0435 (-0.5347)	0.0009 (0.4950)	-0.0002 (-0.3924)
Controls, Dummies, Cluster	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Table A6: State Legislative General Elections: All Firms, Politicians of All (Not Only Close) Elections

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	BTD	PBTD	CASH_ETR	GAAP_ETR	DTAX	SHELTER	REPORTED_	PREDICTED_
							UTB	UTB
Panel 1								
TotalP	0.0002 (0.3431)	-0.0001 (-0.2360)	0.0011 (0.7664)	-0.0001 (-0.2266)	0.0001 (0.0011)	0.0052 (0.7685)	0.0001 (0.3491)	-0.0001 (-0.1578)
Controls, Dummies, Cluster	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Panel 2								
WonP	-0.0001 (-0.1105)	-0.0002 (-0.3290)	0.0008 (0.5373)	-0.0002 (-0.5930)	-0.0001 (-0.0371)	0.0017 (0.2065)	-0.0001 (-0.2390)	-0.0001 (-0.1492)
LoseP	0.0004 (0.4293)	0.0004 (0.3342)	-0.0004 (-0.1615)	0.0005 (0.6807)	0.0001 (0.0813)	0.0084 (0.5161)	0.0007 (0.8974)	0.0001 (0.0995)
Controls, Dummies, Cluster	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Panel 3								
AmountTotalP	0.0001* (1.7086)	0.0001 (0.4096)	0.0001 (0.2388)	-0.0001 (-0.4231)	0.0001 (0.5155)	0.0010 (0.4025)	0.0001 (1.1159)	-0.0001 (-0.0330)
Controls, Dummies, Cluster	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Panel 4								
AmountWonP	0.0001* (1.6808)	0.0001 (0.5055)	0.0001 (0.1036)	-0.0001 (-0.4257)	0.0001 (0.0063)	0.0012 (0.3566)	0.0002 (1.2029)	-0.0001 (-0.5137)
AmountLoseP	-0.0002 (-1.6215)	-0.0001 (-0.5650)	0.0001 (0.2059)	0.0001 (0.1934)	-0.0001 (-0.6106)	-0.0009 (-0.3865)	-0.0001 (-0.6599)	0.0001 (0.0802)
Controls, Dummies, Cluster	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Panel 5								
IncumbentWonP	0.0001 (0.0066)	0.0001 (0.2638)	0.0006 (0.3582)	-0.0002 (-0.3403)	0.0006 (0.6701)	0.0047 (0.5876)	0.0001 (0.6594)	-0.0001 (-0.3194)
IncumbentLoseP	0.0006 (0.4787)	-0.0002 (-0.2333)	-0.0001 (-0.0101)	0.0005 (0.4546)	-0.0010 (-0.4986)	-0.0017 (-0.1260)	0.0006 (1.6482)	0.0001 (0.0718)
ChallengerWonP	-0.0013 (-0.3529)	0.0010 (0.2275)	0.0089 (0.3989)	0.0003 (0.0428)	-0.0031 (-0.5478)	-0.0351 (-0.4823)	-0.0040 (-0.9723)	0.0004 (0.6587)
ChallengerLoseP	-0.0011 (-0.1818)	0.0016 (0.2876)	-0.0028 (-0.1657)	0.0011 (0.1921)	0.0047 (0.6556)	0.1578 (1.0834)	0.0012 (0.1872)	-0.0002 (-0.4250)
Controls, Dummies, Cluster	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Panel 6								
DemWonP	-0.0001 (-0.0780)	-0.0001 (-0.0035)	0.0010 (0.4494)	0.0003 (0.2781)	0.0004 (0.2804)	0.0058 (0.3859)	-0.0003 (-0.3011)	0.0001 (0.1795)
DemLoseP	0.0008 (0.5639)	0.0004 (0.1818)	0.0002 (0.0595)	-0.0001 (-0.0563)	0.0001 (0.0540)	0.0098 (0.4307)	-0.0007 (-0.4467)	0.0001 (0.0771)
RepWonP	-0.0001 (-0.0093)	-0.0003 (-0.6456)	0.0007 (0.3217)	-0.0006 (-0.8082)	-0.0004 (-0.4547)	0.0023 (0.2295)	-0.0001 (-0.3342)	-0.0001 (-0.1620)
RepLoseP	0.0001 (0.0204)	0.0003 (0.4314)	-0.0011 (-0.3245)	0.0010 (0.8246)	0.0001 (0.0615)	-0.0011 (-0.0842)	0.0013 (0.9995)	-0.0001 (-0.0853)
Controls, Dummies, Cluster	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Table A7: State Legislative General Elections: Firms Supporting Winners of the Party that Loses Senate and House, Politicians of All (Not Only Close) Elections

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	BTD	PBTD	CASH_ETR	GAAP_ETR	DTAX	SHELTER	REPORTED_U TB	PREDICTED_ UTB
TotalP*Dummy(Donate to Winner of Losing Party)	-0.0150* (-1.7196)	-0.0106* (-1.6953)	-0.0425* (-1.8321)	-0.0253* (-1.6659)	-0.0199* (-1.6842)	-0.2020* (-1.8850)	-0.0135*** (-4.9370)	-0.0011* (-1.8254)
TotalP	0.0003 (0.6027)	0.0001 (0.4787)	0.0008 (0.6119)	0.0001 (0.2084)	0.0001 (0.0976)	0.0063 (0.8817)	0.0015*** (7.3122)	0.0000 (0.8079)
Dummy(Donate to Winner of Losing Party)	0.0082 (0.6649)	-0.0099 (-1.2893)	-0.0285 (-1.3670)	0.0135 (0.9134)	0.0068 (0.4536)	0.0932 (0.5842)	-0.0003 (-0.3326)	-0.0005 (-0.5811)
PTBI	0.4883*** (2.7075)	0.2930** (2.0742)	0.0205 (0.1061)	-0.0035 (-0.0380)	-0.0574 (-0.5383)	2.3461* (1.7865)	0.1027*** (3.2099)	0.0152*** (5.7793)
VOL_PTBI	-0.0188 (-0.1204)	-0.0446 (-0.5121)	0.1998 (0.4920)	0.0741 (0.2842)	0.3423 (1.3095)	3.2223 (1.4308)	-0.1165** (-2.1332)	0.0138 (1.3621)
LEVERAGE	0.0238 (0.7951)	0.0121 (0.5476)	-0.0939 (-0.7184)	-0.1145** (-2.0520)	0.0171 (0.3640)	-1.0571** (-1.9977)	0.0720*** (6.5902)	0.0024 (0.6634)
SIZE	0.0011 (0.0563)	0.0173 (1.0420)	-0.0011 (-0.0241)	0.0025 (0.0657)	0.0059 (0.2506)	0.5181* (1.7479)	-0.0011 (-0.1104)	-0.0052** (-2.4069)
ABN_ACCRUALS	-0.0061 (-0.0921)	-0.0154 (-0.3648)	-0.2400 (-1.2288)	-0.0683 (-0.6097)	-0.1076 (-1.3053)	1.6055* (1.9454)	-0.0169* (-1.7853)	0.0001 (0.0458)
SHARES_OUT	-0.0033 (-0.2553)	-0.0105 (-0.8407)	-0.0153 (-0.4791)	-0.0444 (-1.2346)	0.0137 (1.1173)	-0.0624 (-0.3909)	0.0043 (0.7356)	0.0015*** (2.9118)
VOL_SPECIALITEM	0.1868 (0.7499)	0.0776 (0.6010)	-0.2564 (-0.4365)	-0.2096 (-0.4119)	-0.1768 (-0.5728)	2.3354 (0.8585)	-0.1150** (-2.4486)	-0.0156*** (-2.8961)
VOL_ETBSO	4.3060* (1.7795)	1.4681 (0.7854)	-5.1703 (-1.1333)	5.6028 (1.1996)	3.0102 (0.7478)	27.3273 (1.0745)	2.8456*** (7.2568)	0.1478 (1.0831)
ETBSO	-0.7485 (-1.5140)	-0.0611 (-0.1575)	-0.5483 (-0.6515)	-3.2859*** (-3.6438)	-0.7187** (-1.9825)	-1.8310 (-0.2893)	2.1955*** (8.0085)	-0.0575*** (-2.6048)
CHG_NOLCF	0.0430 (0.4153)	-0.0271 (-0.4938)	-0.2818 (-1.1844)	-0.0088 (-0.0738)	-0.1474 (-0.9051)	-6.9351*** (-5.4828)	-0.2167*** (-7.9037)	0.0025 (0.9604)
NOLCF	0.0342 (0.6749)	0.0305 (1.0384)	0.5189* (1.8734)	0.0101 (0.3373)	0.1064 (0.8980)	-0.2488 (-0.3296)	0.0783*** (13.5351)	0.0017 (0.9707)
KLMO_LOSS	-0.0100 (-0.6703)	-0.0057 (-0.7792)	0.0103 (0.1471)	0.0002 (0.0132)	-0.0078 (-0.6845)	-0.2128 (-1.2295)	0.0177*** (5.4235)	-0.0005 (-0.6244)
SGA	-0.0101 (-0.1128)	-0.0047 (-0.0812)	0.1885 (1.0419)	0.1042 (0.8761)	-0.0254 (-0.2418)	1.9063** (2.0877)	-0.1013*** (-5.3040)	0.0170*** (4.6592)
TLCF	-0.0100 (-0.8272)	0.0022 (0.2661)	-0.0180 (-0.3611)	-0.0111 (-0.3440)	-0.0003 (-0.0257)	-0.1706 (-0.7638)	-0.0549*** (-11.0359)	0.0011 (0.7740)
FOREIGN	0.0376** (2.4395)	0.0033 (0.3530)	0.0167 (0.5020)	0.0728 (1.1342)	0.0135 (0.7176)	2.1474*** (10.1115)	-0.0361*** (-6.1324)	0.0008 (1.2695)
TXBCO	-0.0001 (-0.0098)	-0.0016 (-0.1949)	-0.0144 (-0.3887)	-0.0350* (-1.7061)	0.0130 (0.7101)	0.1910 (1.1354)	0.0130*** (10.9526)	0.0010 (0.7767)
R_D	-0.2894 (-0.6278)	0.1873 (0.6578)	0.2434 (0.9433)	-0.2787 (-0.7648)	0.5344 (1.3713)	-3.5734 (-0.7338)	1.4396*** (6.1692)	0.0931*** (18.9659)
CAPEX	0.0073 (0.0471)	0.0865 (1.1851)	0.2797 (0.4150)	0.0961 (0.8739)	-0.1494 (-0.5731)	-0.3157 (-0.2044)	0.2240*** (8.4193)	-0.0102 (-0.9235)
EBITDA_SIGMA	-0.0601 (-0.2561)	0.0273 (0.2780)	-0.5172 (-0.7616)	0.1234 (0.3624)	-0.4414 (-1.0966)	-1.4501 (-0.4757)	-0.5918*** (-4.4622)	-0.0133** (-1.9944)
EBITDA	-0.2220 (-1.1150)	-0.1731 (-1.0854)	-0.1176 (-0.3621)	0.0412 (0.3155)	0.2513 (0.9684)	-0.8559 (-0.3840)	-0.0603* (-1.9284)	-0.0056 (-1.3068)
Constant	0.0080 (0.0611)	-0.0834 (-0.8983)	-0.2491 (-0.8091)	0.1158 (0.4426)	-0.1686 (-0.9274)	-3.7056* (-1.8079)	-0.0109 (-0.1511)	0.0323** (2.0253)
Firm Dummy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year Dummy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Cluster	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	692	663	592	518	310	368	291	529
R-squared	0.996	0.998	0.905	0.992	0.998	0.998	1.000	0.999