Internet Appendix to "Payout Taxes and the Allocation of Investment"[1]

Table IA.I
Average Investment and Cash Flow around 2000/2001 German Tax Reform

This table shows the average investment for bottom and top quintiles of cash flow to assets around the 2000/2001 German Tax Reform Act. We measure investment by capital expenditure in year *t* divided by the end-of-year *t-1* assets and demean investment by country-year cell. The table also shows the difference between groups and periods, and the difference-in-difference estimate. Robust standard errors are in parentheses.

	Low Cash Flow Firms	High Cash Flow Firms	Difference between Groups
	(1)	(2)	(3)
Prereform Period$_{t-5;t-1}$	-0.0364***	0.0545***	0.0909***
	(0.0056)	(0.0084)	(0.0101)
Postreform Period$_{t;t+2}$	-0.0188***	0.0320***	0.0508***
	(0.0056)	(0.0051)	(0.0076)
Difference between Periods	0.0176**	-0.0224**	**-0.0400*** **
	(0.0079)	(0.0098)	**(0.0127)**

[1] Citation format: Becker, Bo, Marcus Jacob, and Martin Jacob, 2012, Internet Appendix to "Payout Taxes and the Allocation of Investment", *Journal of Financial Economics.*

Table IA.II
Results Winsorized Sample

This table replicates regressions for investment behavior from Table 5, estimated over the 1990-2008 period, but uses winsorized variables at the 5% level (Columns 1 to 3) and the 2% level. Country-year interaction indicator variables and interactions between the corporate tax rate and cash flow are included in all specifications. Standard errors (shown in parentheses) allow for heteroskedasticity and are clustered by country-years. ***, **, * indicate statistical significance at 1%, 5%, and 10% level, respectively.

	Winsorizing at 5% Level			Winsorizing at 2% Level		
	(1)	(2)	(3)	(4)	(5)	(6)
	DivTax	EffTaxC	AvgTaxC	DivTax	EffTaxC	AvgTaxC
Cash Flow*Tax	0.0006*	0.0013***	0.0013***	0.0004	0.0015***	0.0012***
	(0.0004)	(0.0005)	(0.0004)	(0.0004)	(0.0005)	(0.0004)
Cash Flow	0.0806***	0.0742***	0.0668***	0.0713***	0.0560***	0.0519***
	(0.0097)	(0.0086)	(0.0098)	(0.0104)	(0.0083)	(0.0096)
Sales Growth	0.0182***	0.0181***	0.0181***	0.0175***	0.0175***	0.0175***
	(0.0010)	(0.0010)	(0.0010)	(0.0011)	(0.0011)	(0.0011)
Leverage	0.0405***	0.0404***	0.0404***	0.0560***	0.0557***	0.0557***
	(0.0028)	(0.0028)	(0.0028)	(0.0034)	(0.0034)	(0.0034)
Size	0.0098***	0.0101***	0.0102***	0.0041	0.0049	0.0048
	(0.0031)	(0.0032)	(0.0031)	(0.0044)	(0.0045)	(0.0045)
Q	0.0024***	0.0024***	0.0024***	0.0018***	0.0018***	0.0017***
	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Country-year FE	Yes	Yes	Yes	Yes	Yes	Yes
Observations	83,560	83,560	83,560	83,560	83,560	83,560
R-squared	0.6072	0.6072	0.6073	0.5847	0.5849	0.5849

Table IA.III
Average Investment and Cash Flow around Payout Tax Changes: Matching Diff-in-Diff Results

Panel A of this table shows the average investment for bottom and top quintiles of cash flow to assets around 14 payout tax decreases in 1990-2008 with at least 30 observations in the country-year. Panel B illustrates the difference in investment between top and bottom cash flow quintiles around 15 payout tax increases. We measure investment by capital expenditure in year t divided by the end-of-year t-1 assets and demean investment by country-year cell. We use a propensity score matching procedure and only include firms where the predicted score is above 0.5. The table also shows the difference between groups and periods, and the difference-in-difference estimate. Standard errors are in parentheses.

Panel A: 14 Tax Increase Events

	Matched Low Cash Flow Firms	Matched High Cash Flow Firms	Difference between Groups
	(1)	(2)	(3)
Prereform Period$_{t-5;t-1}$	-0.0229***	0.0432***	0.0661***
	(0.0014)	(0.0057)	(0.0059)
Postreform Period$_{t;t+2}$	-0.0354***	0.0630***	0.0984***
	(0.0027)	(0.0108)	(0.0121)
Difference between Periods	-0.0125***	0.0198	0.0323**
	(0.0031)	(0.0122)	(0.0135)

Panel B: 15 Tax Decrease Events

	Matched Low Cash Flow Firms	Matched High Cash Flow Firms	Difference between Groups
	(1)	(2)	(3)
Prereform Period$_{t-5;t-1}$	-0.0357***	0.0449***	0.0806***
	(0.0030)	(0.0097)	(0.0104)
Postreform Period$_{t;t+2}$	-0.0256***	0.0283***	0.0539***
	(0.0025)	(0.0083)	(0.0092)
Difference between Periods	0.0101**	-0.0166	-0.0267*
	(0.0039)	(0.0128)	(0.0139)

Table IA.IV
Correlation between Tax Changes and Macroeconomic Factors

This table reports correlation coefficients for 444 country-year observations. *ΔDivTax* is the change in the dividend tax rate from t-1 to t. *ΔAvgTax* (*ΔEffTax*) represents the change in country-weighted average (effective) payout tax rate. As macroeconomic variables we include GDP Growth, subsidies, cost for startups (*Cost Startup*), inflation, military expenditures and R&D expenditures by the government. P-values are shown in parentheses. Insignificant correlations ($p \geq 0.1$) are reported in italics.

	ΔDivTax	ΔAvgTax	ΔEffTax	GDP Growth$_t$	GDP Growth$_{t-1}$	Subsidies	Cost Startup	Inflation	Military Expenditures	R&D Expenditures
ΔDivTax	1									
ΔAvgTax	0.936	1								
	(0.000)									
ΔEffTax	0.985	0.970	1							
	(0.000)	(0.000)								
GDP Growth	0.112	0.094	0.117	1						
	(0.018)	(0.048)	(0.014)							
GDP Growth$_{t-1}$	0.153	0.116	0.145	0.516	1					
	(0.001)	(0.015)	(0.002)	(0.000)						
Subsidies	*-0.023*	-0.011	-0.016	-0.238	-0.263	1				
	(0.685)	(0.849)	(0.778)	(0.000)	(0.000)					
Cost Startup	*-0.022*	*-0.022*	*-0.043*	0.236	0.158	*0.088*	1			
	(0.785)	*(0.790)*	*(0.603)*	(0.004)	(0.054)	*(0.311)*				
Inflation	*0.019*	*0.010*	*0.015*	-0.108	*-0.055*	-0.201	0.164	1		
	(0.688)	*(0.826)*	*(0.749)*	(0.019)	*(0.243)*	(0.000)	(0.045)			
Military Expenditures	*-0.024*	*-0.021*	*-0.022*	-0.029	*-0.056*	-0.150	*0.086*	*0.067*	1	
	(0.617)	*(0.667)*	*(0.652)*	(0.535)	*(0.235)*	(0.009)	*(0.293)*	*(0.143)*		
R&D Expenditures	*-0.020*	*-0.003*	*-0.001*	-0.218	-0.165	0.336	-0.568	-0.515	*0.038*	1
	(0.746)	*(0.968)*	*(0.987)*	(0.000)	(0.007)	(0.000)	(0.000)	(0.000)	*(0.541)*	

Table IA.V
Firm Investment and Internal Resources under Various Tax Regimes – Tests without U.S. and Japan

This table replicates regressions for investment behavior from Table 4, estimated over the 1990-2008 period, but excludes firms from U.S. and Japan. Baseline regression controls are as in Table 4. Country-year interaction indicator variables are included in all specifications. In columns (2), (4), and (6) we also include the interaction of cash flow with both country and year indicator variables. Standard errors (shown in parentheses) allow for heteroskedasticity and are clustered by country-years. ***, **, * indicate statistical significance at 1%, 5%, and 10% level, respectively.

	Dividend Tax Rate		Country-Weighted Effective Tax Rate		Country-Weighted Average Tax Rate	
	(1)	(2)	(3)	(4)	(5)	(6)
Cash Flow *Tax	0.0017**	0.0044***	0.0021**	0.0055***	0.0013*	0.0040***
	(0.0007)	(0.0010)	(0.0009)	(0.0011)	(0.0007)	(0.0010)
Baseline Controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Country-year FE	Yes	Yes	Yes	Yes	Yes	Yes
Year*CashFlow	No	Yes	No	Yes	No	Yes
Country*CashFlow	No	Yes	No	Yes	No	Yes
Observations	30,436	30,436	30,436	30,436	30,436	30,436
R-squared	0.5214	0.5262	0.5213	0.5262	0.5212	0.5261

Table IA.VI
Firm Investment and Internal Resources under Various Tax Regimes – Different Clusters

This table replicates regressions for investment behavior from Table 4, estimated over the 1990-2008 period, but with different clusters. Baseline regression controls are as in Table 4. Country-year interaction indicator variables and interactions between the corporate tax rate and cash flow are included in all specifications. Standard errors (shown in parentheses) allow for heteroskedasticity. ***, **, * indicate statistical significance at 1%, 5%, and 10% level, respectively.

	25 Country Clusters			220 Country-Industry Clusters		
	(1) DivTax	(2) EffTaxC	(3) AvgTaxC	(4) DivTax	(5) EffTaxC	(6) AvgTaxC
Cash Flow*Tax	0.0011	0.0027**	0.0021**	0.0011*	0.0027***	0.0021***
	(0.0006)	(0.0011)	(0.0009)	(0.0006)	(0.0009)	(0.0008)
Baseline Controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Country-year FE	Yes	Yes	Yes	Yes	Yes	Yes
Year*CashFlow	Yes	Yes	Yes	Yes	Yes	Yes
Country*CashFlow	Yes	Yes	Yes	Yes	Yes	Yes
Observations	81,222	81,222	81,222	81,222	81,222	81,222
R-squared	0.5803	0.5805	0.5804	0.5803	0.5805	0.5804

Table IA.VII
Firm Investment and Internal Resources under Various Tax Regimes – Alternative Measures of Investment

This table replicates regressions for investment behavior from Table 4, estimated over the 1990-2008 period, but uses growth in plant, property, and equipment from *t-1* to *t* as dependent variable (columns (1) to (3), Panel A). In Column (4) to (6), Panel A assets growth from *t-1* to *t* is the dependent variable. Regressions in columns (1) to (3), Panel B use capital expenditure in year *t* divided by the end-of-year *t-1* plant, property, and equipment (*Capex/PPE*) as dependent variable. In Column (4) to (6), Panel B, capital expenditure in year *t* divided by the end-of-year *t-1* fixed assets (*Capex/FA*) is the dependent variable. Baseline regression controls are as in Table 4. Country-year interaction indicator variables and interactions between the corporate tax rate and cash flow are included in all specifications. Standard errors (shown in parentheses) allow for heteroskedasticity and are clustered by country-years. ***, **, * indicate statistical significance at 1%, 5%, and 10% level, respectively.

Panel A: PPE Growth and Assets Growth

	PPE Growth			Assets Growth		
	(1) DivTax	(2) EffTaxC	(3) AvgTaxC	(4) DivTax	(5) EffTaxC	(6) AvgTaxC
Cash Flow*Tax	0.0041*	0.0097***	0.0081***	0.0043	0.0118**	0.0097**
	(0.0022)	(0.0036)	(0.0030)	(0.0033)	(0.0052)	(0.0044)
Baseline Controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Country-year FE	Yes	Yes	Yes	Yes	Yes	Yes
Year*CashFlow	Yes	Yes	Yes	Yes	Yes	Yes
Country*CashFlow	Yes	Yes	Yes	Yes	Yes	Yes
Observations	77,626	77,626	77,626	81,222	81,222	81,222
R-squared	0.4392	0.4394	0.4394	0.5501	0.5502	0.5502

Panel B: Capex/PPE and Capex/FA

	Capex/PPE			Capex/FA		
	(1) DivTax	(2) EffTaxC	(3) AvgTaxC	(4) DivTax	(5) EffTaxC	(6) AvgTaxC
Cash Flow*Tax	0.2605**	0.6234***	0.5105***	0.0039*	0.0079**	0.0061**
	(0.1189)	(0.1626)	(0.1346)	(0.0022)	(0.0031)	(0.0025)
Baseline Controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Country-year FE	Yes	Yes	Yes	Yes	Yes	Yes
Year*CashFlow	Yes	Yes	Yes	Yes	Yes	Yes
Country*CashFlow	Yes	Yes	Yes	Yes	Yes	Yes
Observations	78,911	78,911	78,911	80,969	80,969	80,969
R-squared	0.4350	0.4351	0.4351	0.4490	0.4491	0.4491

Table IA.VIII
Firm Investment and Internal Resources under Various Tax Regimes – Alternative Measures of Internal Resources

This table reports linear regression results for firm investment behavior, estimated over the 1990-2008 period. The dependent variable is *Investment*, defined as capital expenditure in year *t* divided by the end-of-year *t-1* assets. We use another alternative measure of firm's availability of internal resources for investment. *NetIncome* is defined as net income over prior year assets. *OpIncome* is defined as operating income over prior year assets. See Table 3 for a description of the other independent variables included in the regressions. Country-year interaction indicator variables are included in all specifications. We additionally include the interaction of NetIncome and OpIncome respectively with both country and year indicator variables. Standard errors (shown in parentheses) allow for heteroskedasticity and are clustered by country-years. ***, **, * indicate statistical significance at 1%, 5%, and 10% level, respectively.

	Dividend Tax Rate		Country-Weighted Effective Tax Rate		Country-Weighted Average Tax Rate	
	(1)	(2)	(3)	(4)	(5)	(6)
NetIncome *Tax	0.0005		0.0012**		0.0010**	
	(0.0003)		(0.0006)		(0.0005)	
OpIncome *Tax		0.0005		0.0014**		0.0011**
		(0.0004)		(0.0006)		(0.0005)
Baseline Controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Country-year FE	Yes	Yes	Yes	Yes	Yes	Yes
Year* Income	Yes	Yes	Yes	Yes	Yes	Yes
Country*Income	Yes	Yes	Yes	Yes	Yes	Yes
Observations	81,188	81,120	81,188	81,120	81,188	81,120
R-squared	0.5723	0.5747	0.5723	0.5747	0.5723	0.5747

Table IA.IX
Firm Investment and Internal Resources under Various Tax Regimes – Cash Flow Percentile Ranks

This table reports linear regression results for firm investment behavior, estimated over the 1990-2008 period. The dependent variable is *Investment*, defined as capital expenditure in year *t* divided by the end-of-year *t-1* assets. We use the interaction of payout tax with the cash flow percentile rank (*CF Rank*) as explanatory variable. See Table 3 for a description of the other independent variables included in the regressions. Country-year interaction indicator variables are included in all specifications. In columns (2), (4), and (6) we also include the interaction of Cash Flow with both country and year indicators for the more demanding flexible specifications. Standard errors (shown in parentheses) allow for heteroskedasticity. ***, **, * indicate statistical significance at 1%, 5%, and 10% level, respectively.

	Dividend Tax Rate		Country-Weighted Effective Tax Rate		Country-Weighted Average Tax Rate	
	(1)	(2)	(3)	(4)	(5)	(6)
CF Rank*Tax	0.0008***	0.0008***	0.0012***	0.0013***	0.0010***	0.0010***
	(0.0001)	(0.0001)	(0.0002)	(0.0002)	(0.0001)	(0.0001)
Baseline Controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Country-year FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE*CashFlow	No	Yes	No	Yes	No	Yes
Country FE*CashFlow	No	Yes	No	Yes	No	Yes
Observations	81,222	81,222	81,222	81,222	81,222	81,222
R-squared	0.5795	0.5818	0.5795	0.5817	0.5796	0.5818

Table IA.X
Old and New View Firms and the Link between Payout Taxes and Cash Flow – KZ Index of Financial Constraints

This table presents coefficient estimates for Cash Flow*Tax interaction using dividend tax rate (Panel A), the country-weighted effective tax rate (Panel B), andthe country-weighted average tax rate (Panel C). We define firms as old view firms if the firm has low financial constraints (using the KZ Index of financial constraints, with a cutoff of 0.7. *b* is the coefficient estimate, (se) is the heteroskedasticity-robust standard error clustered by country-years, *t-stat* is the t-statistic of the significance of coefficient *b*, and *n* is the number of observations. ***, **, * indicate statistical significance at 1%, 5%, and 10% level, respectively.

Panel A: Dividend Tax

Category	b	(se)	[t-stat]	n
New view firms; low financial constraints	0.0003	(0.0007)	[0.46]	25,004
Old view firms; high financial constraints	0.0013**	(0.0005)	[2.48]	25,003

Panel B: Country-Weighted Effective Tax Rate

Category	b	(se)	[t-stat]	n
New view firms; low financial constraints	0.0012	(0.0008)	[1.49]	25,004
Old view firms; high financial constraints	0.0023***	(0.0008)	[2.96]	25,003

Panel C: Country-Weighted Average Tax Rate

Category	b	(se)	[t-stat]	n
New view firms; low financial constraints	0.0009	(0.0007)	[1.07]	25,004
Old view firms; high financial constraints	0.0020***	(0.0007)	[2.97]	25,003

Table IA.XI
Old and New View Firms and the Link between Payout Taxes and Cash Flow – Dividend Tax Rate

This table presents coefficient estimates for Cash Flow*Tax interaction using the dividend tax rate (*Dividend Tax C*). We define firms as old view firms if predicted net proceeds from the sale/issue of common and preferred stock to lagged assets exceeds 2% (Panel A) or if previous years' sales of shares divided by lagged book assets exceed zero (Panel B) or if the firm has low financial constraints (using the Hadlock and Pierce Index of financial constraints). Firms with high financial constraints are defined as firms who are below median of firm age and firm size. We predict issues of common stocks by past issuances, free float, stock turnover, sales growth, leverage, size and Tobin's q. *b* is the coefficient estimate, (se) is the heteroskedasticity-robust standard error clustered by country-years, *t-stat* is the t-statistic of the significance of coefficient *b*, and *n* is the number of observations. ***, **, * indicate statistical significance at 1%, 5%, and 10% level, respectively.

Panel A: Predicted Equity Issues

Category	b	(se)	[t-stat]	n
New view firms; predicted equity issues < 2%	0.0010	(0.0006)	[1.64]	21,781
Old view firms; predicted equity issues > 2%	0.0015**	(0.0007)	[2.38]	19,137

Panel B: Previous year Equity Issues

Category	b	(se)	[t-stat]	n
New view firms; last year equity issues = 0	0.0009	(0.0007)	[1.38]	24,306
Old view firms; last year equity issues > 0	0.0015**	(0.0006)	[2.38]	31,684

Panel C: Hadlock and Pierce Index of Financial Constraints

Category	b	(se)	[t-stat]	n
New view firms; low financial constraints	0.0008	(0.0009)	[0.82]	30,992
Old view firms; high financial constraints	0.0018**	(0.0007)	[2.78]	15,781

Table IA.XII
Old and New View Firms and the Link between Payout Taxes and Cash Flow – Country-Weighted Effective Tax Rate

This table presents coefficient estimates for Cash Flow*Tax interaction using the country-weighted effective tax rate (*Effective Tax C*). We define firms as old view firms if predicted net proceeds from the sale/issue of common and preferred stock to lagged assets exceeds 1% (Panel A) or if precious years' sales of shares divided by lagged book assets exceed zero (Panel B) or if the firm has low financial constraints (using the Hadlock and Pierce Index of financial constraints). Firms with high financial constraints are defined as firms who are below median of firm age and firm size. We predict issues of common stocks by past issuances, free float, stock turnover, sales growth, leverage, size and Tobin's q. *b* is the coefficient estimate, (se) is the heteroskedasticity-robust standard error clustered by country-years, *t-stat* is the t-statistic of the significance of coefficient *b*, and *n* is the number of observations. ***, **, * indicate statistical significance at 1%, 5%, and 10% level, respectively.

Panel A: Predicted Equity Issues

Category	b	(se)	[t-stat]	n
New view firms; predicted equity issues < 2%	0.0015	(0.0010)	[1.48]	21,781
Old view firms; predicted equity issues > 2%	0.0027**	(0.0011)	[2.47]	19,137

Panel B: Previous year Equity Issues

Category	b	(se)	[t-stat]	n
New view firms; last year equity issues = 0	0.0017	(0.0010)	[1.64]	24,306
Old view firms; last year equity issues > 0	0.0028***	(0.0008)	[3.35]	31,684

Panel C: Hadlock and Pierce Index of Financial Constraints

Category	b	(se)	[t-stat]	n
New view firms; low financial constraints	0.0008	[0.0015]	[0.59]	30,992
Old view firms; high financial constraints	0.0035***	[0.0010]	[3.50]	15,781

Table IA.XIII
Change in Debt Financing and Tax Regimes

This table presents linear regression results for debt financing behavior, estimated over the 1990-2008 period. We use the change in leverage as dependent variable. See Table 3 for a description of the independent variables included in the regressions. In column (1) we measure firms' tax burden on corporate payouts (Tax) as the personal income tax rate on dividends (Dividend Tax). Column (2) uses the country-weighted effective tax rate (Effective Tax C), and column (3) employs the country-weighted average tax rate (Average Tax C). Standard errors (shown in parentheses) are heteroskedasticity-robust and clustered by country-years. ***, **, * indicate statistical significance at 1%, 5%, and 10% level, respectively.

	Dividend Tax Rate	Country-Weighted Effective Tax Rate	Country-Weighted Average Tax Rate
Payout Tax	0.0002	0.0002	0.0003
	(0.0004)	(0.0006)	(0.0005)
Corporate Tax	-0.0003	-0.0004	-0.0004
	(0.0007)	(0.0007)	(0.0007)
Cash Flow	0.1296***	0.1297***	0.1296***
	(0.0212)	(0.0212)	(0.0212)
Sales Growth	-0.0454***	-0.0453***	-0.0452***
	(0.0066)	(0.0066)	(0.0067)
Size	0.1157***	0.1157***	0.1149***
	(0.0244)	(0.0241)	(0.0241)
Q	0.0003	0.0003	0.0003
	(0.0004)	(0.0004)	(0.0004)
Baseline Controls	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes
Year FE	Yes	Yes	Yes
Observations	73,399	73,399	73,399
R-squared	0.0697	0.0697	0.0697

Table IA.XIV
Corporate Governance and the Link between Payout Taxes and Cash Flow

This table presents coefficient estimates for Cash Flow*Tax interaction using the country-weighted average tax rate (*Average Tax C*). Firms are sorted into quartiles of insider ownership, and regressions are estimated separately for each quartile. *b* is the coefficient estimate, (se) is the heteroskedasticity-robust standard error clustered by country-years, *t-stat* is the t-statistic of the significance of coefficient *b*, and *n* is the number of observations.***, **, * indicate statistical significance at 1%, 5%, and 10% level, respectively.

Quartile of insider ownership	Range of ownership	b	(se)	[t-stat]	n
Low ownership	0-0.8%	0.0012	(0.0010)	[1.19]	15,338
2	0.8%-5.0%	0.0016	(0.0010)	[1.62]	14,942
3	5.0%-19.4%	0.0014	(0.0009)	[1.55]	14,011
High ownership	19.4%-	0.0021**	(0.0009)	[2.46]	12,657

Table IA.XV
Corporate Governance and the Link between Payout Taxes and Cash Flow– Dividend Tax Rate

This table presents coefficient estimates for Cash Flow*Tax interaction using the statutory dividend tax rate (*Dividend Tax*). Firms are sorted into quartiles of insider ownership, and regressions are estimated separately for each quartile. b is the coefficient estimate, (se) is the heteroskedasticity-robust standard error clustered by country-years, t-stat is the t-statistic of the significance of coefficient b, and n is the number of observations.***, **, * indicate statistical significance at 1%, 5%, and 10% level, respectively.

Quartile of insider ownership	Range of ownership	b	(se)	[t-stat]	n
Low ownership	0-0.8%	0.0009	(0.0009)	[1.03]	15,338
2	0.8%-5.0%	0.0013*	(0.0007)	[1.77]	14,942
3	5.0%-19.4%	0.0005	(0.0007)	[0.67]	14,011
High ownership	19.4%-	0.0009	(0.0006)	[1.58]	12,657

Table IA.XVI
Corporate Governance and the Link between Payout Taxes and Cash Flow– Country-Weighted Effective Tax Rate

This table presents coefficient estimates for Cash Flow*Tax interaction using the country-weighted effective tax rate (*Effective Tax C*). Firms are sorted into quartiles of insider ownership, and regressions are estimated separately for each quartile. *b* is the coefficient estimate, (se) is the heteroskedasticity-robust standard error clustered by country-years, *t-stat* is the t-statistic of the significance of coefficient *b*, and *n* is the number of observations.***, **, * indicate statistical significance at 1%, 5%, and 10% level, respectively.

Quartile of insider ownership	Range of ownership	b	(se)	[t-stat]	n
Low ownership	0-0.8%	0.0009	(0.0012)	[0.78]	15,338
2	0.8%-5.0%	-0.0001	(0.0011)	[-0.10]	14,942
3	5.0%-19.4%	0.0018*	(0.0010)	[1.91]	14,011
High ownership	19.4%-	0.0031***	(0.0009)	[3.50]	12,657