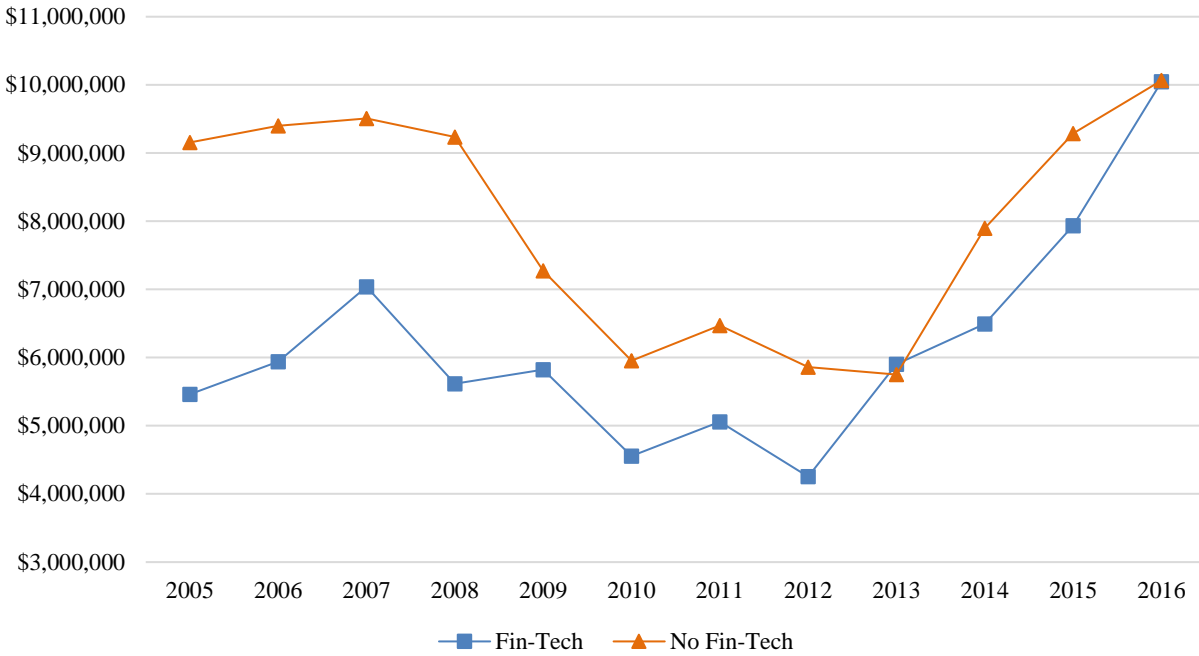


Online Appendix to “Capital Gains Taxation and Funding for Start-Ups” by Alexander Edwards and Maximilian Todtenhaupt

Online Appendix Figure 1: Evolution of equity funding for Fin-Tech start-ups



This figure displays the average amount of funding per round for funding rounds of the start-up firms in the estimation sample from 2005 to 2016 that are defined as “FinTech Startups” by Crunchbase (activity labels “FinTech” and “Financial Services”, see <https://www.crunchbase.com/hub/fintech-startups>).

Online Appendix Table 1: Regression results: capital raised, excluding Fin-Tech start-ups

	(1)	(2)	(3)	(4)
<i>POST</i>	-0.114* (0.059)	-0.098 (0.067)	-0.100 (0.067)	-0.174*** (0.046)
<i>POST</i> × <i>TREATED</i>	0.155*** (0.045)	0.170*** (0.050)	0.171*** (0.050)	0.158*** (0.050)
<i>AGE</i>	0.109*** (0.025)	0.107*** (0.031)	0.105*** (0.031)	0.024** (0.012)
<i>RANK</i>	-0.001*** (0.000)	-0.002*** (0.000)	-0.002*** (0.000)	-0.002*** (0.000)
<i>ANGEL</i>	-0.933*** (0.060)	-1.037*** (0.092)	-1.033*** (0.092)	-1.097*** (0.093)
<i>AFTER_SEED</i>	1.015*** (0.029)	1.092*** (0.040)	1.090*** (0.040)	1.174*** (0.040)
<i>STATE_FIRM_SCALE</i>			-16.613 (12.596)	-22.224*** (8.421)
<i>STARTUP_EMPL_CHG</i>			-0.134 (0.110)	0.231** (0.096)
Firm and Funding Round Fixed Effects	Y	Y	Y	Y
Year Fixed Effects	Y	Y	Y	N
No. of Observations	27,978	17,196	17,086	17,086
No. of Start-ups	12,810	7,118	7,072	7,072
<i>R</i> ²	0.435	0.417	0.417	0.404

This table presents the results of a difference-in-differences analysis. We use the same sample as for the regressions presented in Table 6 but exclude start-up firms that are defined as “FinTech Startups” by Crunchbase (activity labels “FinTech” and “Financial Services”, see <https://www.crunchbase.com/hub/fintech-startups>). We estimate the following model

$$\ln(\text{RAISED}_{ij}) = \beta_1 \text{POST}_{ij} + \beta_2 \text{POST}_{ij} \times \text{TREATED}_j + \beta \mathbf{X} + \phi_t + \phi_j + \epsilon_{ij}$$

The dependent variable in all columns is the logarithm of \$ raised in a particular funding round. *POST* indicates that the funding round was announced after the effective date of the 2010 SBJA (September 27, 2010) and *TREATED* marks start-ups conducting activities that are deemed to be a “qualifying trade or business” in the sense of Section 1202 and are thus affected by the capital gains tax reduction of the 2010 SBJA. Column (1) presents regressions using the full sample. In Column (2), a regression using the reduced sample including only start-ups that have been verified to be incorporated through their SEC filings is displayed. The regression in Column (3) adds additional control variables. All regressions include firm fixed effects, announcement year fixed effects and funding round fixed effects. Column (4) presents results from a replication of regression (3) without announcement year fixed effects. Cluster-robust standard errors (clustered on the start-up level) are presented in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% levels. Detailed variable definitions are presented in appendix A.

Online Appendix Table 2: Descriptive Statistics for Matched PitchBook Sample

Variable	Obs.	Mean	Std. Dev.	Min	5% percentile	Median	95% percentile	Max
<i>RAISED</i> (million \$)	13,960	9.213	9.800	0.002	0.554	5.600	31.000	50.000
<i>AGE</i>	13,960	4.004	2.821	0.000	0.559	3.392	9.605	16.600
<i>RANK</i>	13,960	402.016	288.046	1.430	45.675	326.205	937.525	999.920
<i>ANGEL</i>	13,960	0.026	0.159	0.000	0.000	0.000	0.000	1.000
<i>AFTER_SEED</i>	13,960	0.895	0.307	0.000	0.000	1.000	1.000	1.000
<i>STATE_FIRM_SCALE</i>	13,885	0.014	0.003	0.007	0.010	0.014	0.019	0.027
<i>STARTUP_EMPL_CHG</i>	13,885	0.574	0.133	0.039	0.412	0.554	0.821	1.509
<i>INVESTORS</i>	13,277	9.030	6.664	1	2	8	21	64

This table presents descriptive statistics for the regression variables from the subsample of firms from Crunchbase for which data on valuation is available from PitchBook. Detailed variable definitions are presented in appendix A.