Online Appendix

Non-Regular Employment and Payout Policy:

Evidence from the Massachusetts Independent Contractor Law

Table OA1

Excluding Firms Moving Headquarters Across States

This table shows that our results are robust to excluding the observations of the 292 firms that relocate across U.S. states at least once from 2001 to 2007. We take labor-related expenses (as proxied by SG&A), operating income before depreciation and amortization, share repurchases, and total payout scaled by book assets as the dependent variables, respectively. We include firm, industry-by-year, and headquarter state fixed effects. We compute *t*-statistics (in parentheses) using robust standard errors clustered at the state level. Statistical significance at the 10%, 5%, and 1% levels is indicated by *, **, and ***, respectively. The constant is not shown for brevity. Appendix A presents the variable definitions.

	(1) *Labor Expenses / Assets*	(2) *Profitability*	(3) *Repurchases / Assets*	(4) *Total Payout / Assets*
*Treat*Post*	0.0179***	-0.0139**	-0.0031*	-0.0036**
	(3.244)	(-2.667)	(-1.692)	(-2.088)
Cash_Hold	-0.1514***	0.0263*	0.0008	0.0020
	(-7.803)	(1.816)	(0.152)	(0.291)
Capex	0.3837***	-0.2747**	0.0224	0.0305
	(3.815)	(-2.480)	(1.556)	(1.512)
Market-To-Book	0.0292***	-0.0115***	0.0006	0.0017**
	(16.630)	(-4.875)	(1.028)	(2.408)
Debt	-0.0557***	-0.0922***	0.0067	0.0077
	(-3.339)	(-5.964)	(1.533)	(1.616)
Size	-0.5217***	0.4295***	0.0019	-0.0070
	(-9.479)	(9.778)	(0.439)	(-1.173)
Log_Age	0.0111*	0.0167**	0.0066***	0.0013
	(1.864)	(2.483)	(3.782)	(0.662)
Idiosyncratic Volatility	0.8862***	-1.0710***	-0.0172	-0.0201
	(5.657)	(-4.741)	(-0.764)	(-0.633)
GDP_Growth	0.0852	0.0063	-0.0234	-0.0228
	(1.335)	(0.105)	(-1.096)	(-0.826)
Log_Population	0.1269	-0.0508	0.0098	0.0367
	(1.229)	(-0.692)	(0.264)	(1.080)
Headquarter State FE	Yes	Yes	Yes	Yes
Industry-by-Year FE	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes
Observations	27,631	27,631	27,631	27,631
Adjusted R^2	0.805	0.797	0.284	0.316

Table OA2

Massachusetts Independent Contractor Law and Regular Employees

This table shows how the exogenous decrease in IC usage affects regular employment for the treated firms. The sample period spans from 2000 to 2007. We take the natural log of one plus the number of employees as a dependent variable. We include firm, year (or industry-by-year), and headquarter state fixed effects. We compute *t*-statistics (in parentheses) using robust standard errors clustered at the state level. Statistical significance at the 10%, 5%, and 1% levels is indicated by *, **, and ***, respectively. The constant is not shown for brevity. Appendix A presents the variable definitions.

	(1) *Log (1 + Employees)*	(2) *Log (1 + Employees)*	(3) *Log (1 + Employees)*	(4) *Log (1 + Employees)*
*Treat*Post*High_IC*		0.0651***		0.0127
		(15.751)		(1.281)
High_IC		0.0697**		0.0813***
		(2.666)		(2.698)
*Treat*Post*	0.0073	-0.0058	0.0061	0.0037
	(0.892)	(-0.692)	(0.685)	(0.396)
Cash_Hold	-0.2838***	-0.2836***	-0.2788***	-0.2781***
	(-16.165)	(-15.985)	(-13.611)	(-13.514)
Capex	0.0796	0.0771	0.1012*	0.1005*
	(1.332)	(1.270)	(1.723)	(1.713)
Market-To-Book	-0.0340***	-0.0339***	-0.0333***	-0.0333***
	(-21.661)	(-21.301)	(-21.786)	(-21.613)
Debt	0.1366***	0.1377***	0.1332***	0.1340***
	(6.031)	(6.097)	(6.447)	(6.510)
Size	0.7900***	0.7896***	0.7638***	0.7643***
	(29.675)	(29.376)	(30.937)	(30.695)
Log_Age	0.0595***	0.0594***	0.0619***	0.0618***
	(6.817)	(6.737)	(5.868)	(5.903)
Idiosyncratic Volatility	-0.1707	-0.1691	-0.1164	-0.1148
	(-1.558)	(-1.537)	(-0.901)	(-0.879)
GDP_Growth	-0.1448**	-0.1427**	-0.1704**	-0.1686**
	(-2.088)	(-2.050)	(-2.612)	(-2.604)
Log_Population	0.2368	0.2322	0.1918	0.1864
	(1.540)	(1.502)	(1.180)	(1.142)
Headquarter State FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	No	No
Industry-by-Year FE	No	No	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes
Observations	28,886	28,886	28,886	28,886
Adjusted R^2	0.981	0.981	0.982	0.982

Table OA3

Legal Settlements

This table shows how the amount of legal settlements is affected by the adoption of the MICL, which curbs the use of ICs. Using the AuditAnalytics Litigation database, we aggregate the sum of legal settlements for each firm in a year and scale it by revenue. We only include firms covered by AuditAnalytics Litigation database. Panel A shows the results of the multivariate analysis and Panel B presents the timing of the treatment effect on the legal settlements following the test design for Figure 1. We include firm, industry-by-year, and headquarter state fixed effects. We compute *t*-statistics (in parentheses) using robust standard errors clustered at the state level. Statistical significance at the 10%, 5%, and 1% levels is indicated by *, **, and ***, respectively. The constant is not shown for brevity. Appendix A presents the variable definitions.

Panel A: Multivariate Analysis

	(1) *Legal Settlements*
*Treat*Post*	0.0471***
	(4.000)
Cash_Hold	-0.0232
	(-0.439)
Capex	-0.1628
	(-0.628)
Market-To-Book	0.0092
	(1.454)
Debt	-0.0049
	(-0.096)
Size	-0.1253
	(-1.213)
Log_Age	0.0399
	(1.065)
Idiosyncratic Volatility	0.2608
	(0.404)
GDP_Growth	0.2699
	(0.671)
Log_Population	-0.2866
	(-0.780)
Headquarter State FE	Yes
Industry-by-Year FE	Yes
Firm FE	Yes
Observations	3,684
Adjusted R^2	0.850

Panel B: Timing of the Treatment Effect

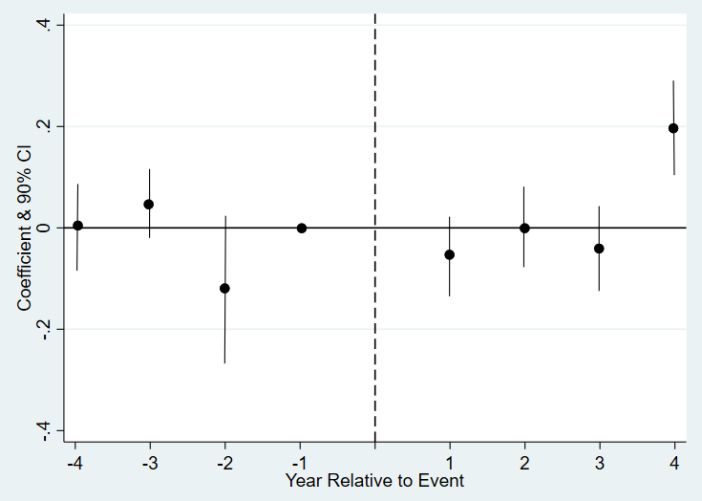

Table OA4

U.S. Multinationals

This table shows how U.S. multinationals affect the relation between the exogenous decrease in IC usage and a firm's payout policy. We take share repurchases scaled by book assets as the dependent variables. *US_MNC* is an indicator equal to one if a firm in year *t* reports positive foreign taxes, and zero otherwise. We include firm, industry-by-year, and headquarter state fixed effects. We compute *t*-statistics (in parentheses) using robust standard errors clustered at the state level. Statistical significance at the 10%, 5%, and 1% levels is indicated by *, **, and ***, respectively. The constant is not shown for brevity. Appendix A presents the variable definitions.

	(1) *Repurchases / Assets*
*Treat*Post*US_MNC*	0.0046***
	(3.678)
US_MNC	-0.0006
	(-0.423)
*Treat*Post*	-0.0062***
	(-3.504)
Cash_Hold	0.0016
	(0.339)
Capex	0.0192
	(1.446)
Market-To-Book	0.0007
	(1.073)
Debt	0.0055
	(1.409)
Size	0.0024
	(0.582)
Log_Age	0.0075***
	(4.652)
Idiosyncratic Volatility	-0.0200
	(-0.930)
GDP_Growth	-0.0264
	(-1.434)
Log_Population	-0.0032
	(-0.089)
Headquarter State FE	Yes
Industry-by-Year FE	Yes
Firm FE	Yes
Observations	27,902
Adjusted R^2	0.279

Table OA5

Excluding Firms in New Mexico, Oregon, and New Jersey

This table shows that our results are robust to excluding firms in New Mexico, Oregon, and New Jersey which also, from 2004 to 2007, adopted state statutes addressing the misclassification of independent contractors. The sample period spans from 2000 to 2007. We take labor-related expense (proxied by SG&A), operating income before depreciation and amortization, share repurchases, and total payout scaled by book assets as the dependent variables, respectively. We include firm, industry-by-year, and headquarter state fixed effects. We compute *t*-statistics (in parentheses) using robust standard errors clustered at the state level. Statistical significance at the 10%, 5%, and 1% levels is indicated by *, **, and ***, respectively. The constant is not shown for brevity. Appendix A presents the variable definitions.

	(1) *Labor Expenses / Assets*	(2) *Profitability*	(3) *Repurchases / Assets*	(4) *Total Payout / Assets*
*Treat*Post*	0.0236***	-0.0170***	-0.0043**	-0.0048**
	(3.472)	(-2.985)	(-2.082)	(-2.621)
Cash_Hold	-0.1416***	0.0208	0.0006	0.0035
	(-7.782)	(1.331)	(0.131)	(0.589)
Capex	0.4037***	-0.2893**	0.0164	0.0240
	(3.945)	(-2.467)	(1.198)	(1.257)
Market-To-Book	0.0291***	-0.0130***	0.0007	0.0018**
	(15.421)	(-5.422)	(1.042)	(2.248)
Debt	-0.0361*	-0.1019***	0.0049	0.0050
	(-2.002)	(-7.393)	(1.213)	(1.102)
Size	-0.5138***	0.4351***	0.0023	-0.0064
	(-9.435)	(9.224)	(0.544)	(-1.153)
Log_Age	0.0119**	0.0153**	0.0070***	0.0029*
	(2.118)	(2.450)	(4.322)	(1.751)
Idiosyncratic Volatility	0.9187***	-1.1274***	-0.0176	-0.0099
	(5.390)	(-4.661)	(-0.802)	(-0.315)
GDP_Growth	0.0609	-0.0068	-0.0302	-0.0288
	(0.926)	(-0.111)	(-1.630)	(-1.239)
Log_Population	0.1607	-0.0556	-0.0036	0.0200
	(1.445)	(-0.711)	(-0.096)	(0.593)
Headquarter State FE	Yes	Yes	Yes	Yes
Industry-by-Year FE	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes
Observations	27,518	27,518	27,518	27,518
Adjusted R^2	0.803	0.797	0.283	0.313

Table OA6

Staggered Difference-in-Differences with Extended Period

This table shows that our results are robust to using a staggered DID design using the independent contractor misclassification statutes that went into effect in Massachusetts, New Mexico, Oregon, New Jersey, Delaware, Illinois, Kansas, Maine, Maryland, Minnesota, Nebraska, New Hampshire, New York, Pennsylvania, and Utah from 2004 to 2012 (Deknatel and Hoff-Downing, 2015). The original test is based on the 2004 Massachusetts Independent Contractor Law adoption. The sample period spans from 2000 to 2017. We take labor-related expense (proxied by SG&A), operating income before depreciation and amortization, share repurchases, and total payout scaled by book assets as the dependent variables, respectively. We include firm, industry-by-year, and headquarter state fixed effects. We compute *t*-statistics (in parentheses) using robust standard errors clustered at the state level. Statistical significance at the 10%, 5%, and 1% levels is indicated by *, **, and ***, respectively. The constant is not shown for brevity. Appendix A presents the variable definitions.

	(1) *Labor Expenses / Assets*	(2) *Profitability*	(3) *Repurchases / Assets*	(4) *Total Payout / Assets*
*Treat*Post*	0.0122	-0.0122**	-0.0036**	-0.0048***
	(1.290)	(-2.174)	(-2.259)	(-2.784)
Cash_Hold	-0.1558***	-0.0108	0.0020	0.0057*
	(-12.710)	(-1.206)	(0.792)	(1.904)
Capex	0.3468***	-0.2257**	0.0070	0.0094
	(3.645)	(-2.578)	(1.142)	(1.103)
Market-To-Book	0.0322***	-0.0160***	0.0010*	0.0027***
	(19.700)	(-7.599)	(1.833)	(3.797)
Debt	-0.0342*	-0.0931***	0.0018	0.0041
	(-1.979)	(-7.905)	(0.717)	(1.245)
Size	-0.4571***	0.3696***	0.0156***	0.0093*
	(-10.403)	(9.201)	(4.907)	(1.693)
Log_Age	0.0291***	-0.0070*	0.0075***	0.0046***
	(5.595)	(-1.961)	(9.391)	(4.475)
Idiosyncratic Volatility	0.8539***	-1.2069***	-0.1035***	-0.1482***
	(7.449)	(-7.959)	(-7.562)	(-7.950)
GDP_Growth	0.0176	0.0620	-0.0194	-0.0183
	(0.496)	(1.542)	(-1.594)	(-1.162)
Log_Population	0.0773	-0.0390	-0.0271**	-0.0198
	(1.359)	(-0.829)	(-2.066)	(-1.043)
Headquarter State FE	Yes	Yes	Yes	Yes
Industry-by-Year FE	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes
Observations	54,433	54,433	54,433	54,433
Adjusted R^2	0.779	0.766	0.283	0.328

Table OA7

Addressing Bias with the Staggered DiD Design Following Gardner (2022)

This table examines whether the results based on the staggered DiD design are robust to using the methodology in Gardner (2022), which addresses the bias in the design due to heterogeneous treatment effects across units and over time. In Panel A, we only use the sample period from 2000 to 2007 focusing on the law adoptions in Massachusetts, New Mexico, Oregon, and New Jersey. In Panel B, we use the sample period from 2000 to 2017 using the changes in definitional statutes in fifteen U.S. states from 2004 to 2012, noted by Deknatel and Hoff-Downing (2015). We take labor-related expense (proxied by SG&A), operating income before depreciation and amortization, share repurchases, and total payout scaled by book assets as the dependent variables, respectively. We control for the firm- and the state-level factors used in the baseline specification, firm, industry-by-year, and headquarter state fixed effects. We compute *z*-statistics (in parentheses) using standard errors clustered at the state level. Statistical significance at the 10%, 5%, and 1% levels is indicated by *, **, and ***, respectively. The constant is omitted for brevity. The constant is not shown for brevity. Appendix A presents the variable definitions.

Panel A: 2000-2007				
	(1)	(2)	(3)	(4)
	Labor Expenses / Assets	*Profitability*	*Repurchases / Assets*	*Total Payout / Assets*
*Treat*Post*	0.0387***	-0.0233***	-0.0039**	-0.0061***
	(7.180)	(-2.994)	(-2.460)	(-3.349)
Controls	Yes	Yes	Yes	Yes
Headquarter State FE	Yes	Yes	Yes	Yes
Industry-by-Year FE	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes
Observations	29,157	29,157	29,157	29,157

Panel B: 2000-2017				
	(1)	(2)	(3)	(4)
	Labor Expenses / Assets	*Profitability*	*Repurchases / Assets*	*Total Payout / Assets*
*Treat*Post*	0.0704***	-0.0526***	0.0007	-0.0038
	(7.483)	(-3.832)	(0.407)	(-1.326)
Controls	Yes	Yes	Yes	Yes
Headquarter State FE	Yes	Yes	Yes	Yes
Industry-by-Year FE	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes
Observations	54,433	54,433	54,433	54,433

Table OA8

Alternative Measures of Share Repurchases

This table reports the effect of the Massachusetts Independent Contractor Law on alternative measures of share repurchases. The dependent variables are share repurchases scaled by market value of assets (MVA), sales, operating profit before depreciation and amortization, and total payout, respectively. We include firm, industry-by-year, and headquarter state fixed effects. We compute *t*-statistics (in parentheses) using robust standard errors clustered at the state level. Statistical significance at the 10%, 5%, and 1% levels is indicated by *, **, and ***, respectively. The constant is not shown for brevity. Appendix A presents the variable definitions.

	(1) *Repurchases over MVA*	(2) *Repurchases over Sales*	(3) *Repurchases over CashFlow*	(4) *Payout Flexibility*
*Treat*Post*	-0.0013*	-0.0055*	-0.0303*	-0.0245
	(-1.808)	(-1.693)	(-1.965)	(-1.414)
Cash_Hold	0.0014	0.0182*	-0.0041	-0.0005
	(0.554)	(1.985)	(-0.155)	(-0.015)
Capex	0.0107	0.0223	0.0455	0.0359
	(1.463)	(0.965)	(0.653)	(0.346)
Market-To-Book	-0.0009***	-0.0014*	-0.0046	-0.0188***
	(-5.126)	(-1.701)	(-1.560)	(-4.050)
Debt	0.0029	0.0182***	0.1222***	-0.0680
	(1.668)	(3.367)	(5.496)	(-1.583)
Size	-0.0071***	0.0131**	0.0348	0.0433
	(-3.607)	(2.041)	(0.861)	(0.860)
Log_Age	0.0030***	0.0107***	0.0220**	0.0835***
	(3.964)	(5.792)	(2.246)	(4.209)
Idiosyncratic Volatility	-0.0403***	-0.0424	-0.7150***	0.0186
	(-3.404)	(-1.144)	(-3.674)	(0.058)
StateGDP_Growth	-0.0145	-0.0228	-0.1045	-0.1808
	(-1.482)	(-1.008)	(-0.746)	(-0.877)
Log_StatePopulation	-0.0067	-0.0417	-0.1884	-0.0277
	(-0.426)	(-0.869)	(-0.824)	(-0.065)
Headquarter State FE	Yes	Yes	Yes	Yes
Industry-by-Year FE	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes
Observations	29,157	28,772	29,147	14,859
Adjusted R^2	0.212	0.265	0.192	0.635

Table OA9

Excluding the 2007 Minimum Wage Increase in Massachusetts

This table shows that our results are not driven by the 2007 minimum wage increase in Massachusetts. We limit the sample period to 2000-2005. We take labor-related expense (SG&A), operating income before depreciation and amortization, share repurchases, and total payout scaled by book assets as the dependent variables, respectively. We include firm, industry-by-year, and headquarter state fixed effects. We compute *t*-statistics (in parentheses) using robust standard errors clustered at the state level. Statistical significance at the 10%, 5%, and 1% levels is indicated by *, **, and ***, respectively. The constant is not shown for brevity. Appendix A presents the variable definitions.

	(1) *Labor Expenses / Assets*	(2) *Profitability*	(3) *Repurchases / Assets*	(4) *Total Payout / Assets*
*Treat*Post*	0.0205***	-0.0140***	-0.0041**	-0.0048***
	(3.877)	(-3.183)	(-2.571)	(-3.298)
Cash_Hold	-0.1388***	0.0311	0.0031	0.0044
	(-5.430)	(1.621)	(0.539)	(0.610)
Capex	0.4408***	-0.3589***	0.0160	0.0239
	(3.655)	(-2.966)	(1.202)	(1.355)
Market-To-Book	0.0258***	-0.0110***	0.0007	0.0016**
	(12.189)	(-3.745)	(1.150)	(2.198)
Debt	-0.0319	-0.0976***	0.0051	0.0049
	(-1.432)	(-7.649)	(1.018)	(0.875)
Size	-0.5325***	0.4493***	-0.0017	-0.0095*
	(-8.215)	(9.189)	(-0.428)	(-1.945)
Log_Age	0.0010	0.0309***	0.0099***	0.0074***
	(0.124)	(3.676)	(4.663)	(3.160)
Idiosyncratic Volatility	1.0659***	-1.1490***	-0.0067	0.0000
	(5.919)	(-4.752)	(-0.303)	(0.001)
GDP_Growth	-0.0038	0.0816	-0.0203	-0.0178
	(-0.062)	(1.133)	(-0.999)	(-0.695)
Log_Population	0.2472	-0.1531*	0.0010	0.0154
	(1.504)	(-1.686)	(0.026)	(0.409)
Headquarter State FE	Yes	Yes	Yes	Yes
Industry-by-Year FE	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes
Observations	22,596	22,596	22,596	22,596
Adjusted R^2	0.817	0.804	0.276	0.309

Table OA10

Excluding Construction Firms

This table shows that the effect of decreased IC usage on profitability and payout policy is robust to excluding constructions firms from our sample. We use operating income before depreciation and amortization, total payout, dividends, and share repurchases scaled by book assets as the dependent variables, respectively. We include firm, industry-by-year, and headquarter state fixed effects. We compute *t*-statistics (in parentheses) using robust standard errors clustered at the state level. Statistical significance at the 10%, 5%, and 1% levels is indicated by *, **, and ***, respectively. The constant is not shown for brevity. Appendix A presents the variable definitions.

	(1) *Labor Expenses / Assets*	(2) *Profitability*	(3) *Repurchases / Assets*	(4) *Total Payout / Assets*
*Treat*Post*	0.0226***	-0.0155***	-0.0040**	-0.0044**
	(3.584)	(-3.028)	(-2.130)	(-2.617)
Cash_Hold	-0.1478***	0.0183	0.0020	0.0046
	(-8.541)	(1.253)	(0.424)	(0.791)
Capex	0.4072***	-0.2861**	0.0191	0.0267
	(4.067)	(-2.476)	(1.423)	(1.436)
Market-To-Book	0.0294***	-0.0133***	0.0007	0.0018**
	(16.024)	(-6.003)	(1.082)	(2.353)
Debt	-0.0391**	-0.0989***	0.0054	0.0053
	(-2.217)	(-7.306)	(1.368)	(1.110)
Size	-0.5205***	0.4408***	0.0026	-0.0064
	(-10.045)	(9.999)	(0.642)	(-1.198)
Log_Age	0.0101*	0.0186***	0.0076***	0.0032**
	(1.679)	(2.993)	(4.660)	(2.049)
Idiosyncratic Volatility	0.9175***	-1.1223***	-0.0193	-0.0151
	(5.429)	(-4.936)	(-0.896)	(-0.478)
GDP_Growth	0.0659	-0.0018	-0.0284	-0.0285
	(1.055)	(-0.028)	(-1.530)	(-1.238)
Log_Population	0.1511	-0.0614	-0.0036	0.0231
	(1.428)	(-0.791)	(-0.098)	(0.718)
Headquarter State FE	Yes	Yes	Yes	Yes
Industry-by-Year FE	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes
Observations	28,783	28,783	28,783	28,783
Adjusted R^2	0.801	0.794	0.276	0.308

Table OA11

Labor-Related Expenses, Profitability, and Payout Policy: Without Firm- & State-level Controls

This table shows that our results are robust to addressing the issue of 'bad controls' (e.g., Angrist and Pischke, 2009). We do not include the time-varying, firm- and state-level controls in this analysis. The sample period spans from 2000 to 2007. We take labor-related expense (SG&A), operating income before depreciation and amortization, share repurchases, and total payout scaled by book assets as the dependent variables, respectively. Due to a lack of data on staff expenses (Compustat XLR), we use selling, general, & administrative expense (SG&A) as a proxy for labor expense (e.g., Lee et al., 2018). We set SG&A to zero if missing. We include firm, industry-by-year, and headquarter state fixed effects. We compute *t*-statistics (in parentheses) using robust standard errors clustered at the state level. Statistical significance at the 10%, 5%, and 1% levels is indicated by *, **, and ***, respectively. The constant is not shown for brevity. Appendix A presents the variable definitions.

	(1) *Labor Expenses / Assets*	(2) *Profitability*	(3) *Repurchases / Assets*	(4) *Total Payout / Assets*
*Treat*Post*	0.0201***	-0.0152***	-0.0033**	-0.0047***
	(4.046)	(-3.861)	(-2.151)	(-3.312)
Controls	No	No	No	No
Headquarter State FE	Yes	Yes	Yes	Yes
Industry-by-Year FE	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes
Observations	29,157	29,157	29,157	29,157
Adjusted R^2	0.776	0.771	0.277	0.308

Table OA12

Operating Leverage: Without Firm- & State-level Controls

This table shows that our results are robust to addressing the issue of 'bad controls' (e.g., Angrist and Pischke, 2009). We test how the exogenous decrease in the use of independent contractors affects firm-level operating leverage without the time-varying, firm- and state-level controls. We follow Eisfeldt and Papanikolaou (2013) to examine the variation in operating leverage. *Δ Log (EBIT)* and *Δ Log (Sales)* are the annual change in the natural log of earnings before interest and taxes and sales, respectively, for each firm in year *t*. We include firm, industry-by-year, and headquarter state fixed effects. We compute *t*-statistics (in parentheses) using robust standard errors clustered at the state level. Statistical significance at the 10%, 5%, and 1% levels is indicated by *, **, and ***, respectively. The constant is not shown for brevity. Appendix A presents the variable definitions.

	(1) *Δ Log (EBIT)*	(2) *Δ Log (EBIT)*
*Treat*Post*Δ Log (Sales)*	0.5702***	0.5641***
	(7.090)	(6.905)
Δ Log (Sales)	1.6880***	1.6916***
	(22.554)	(22.441)
*Treat*Post*	-0.0343	-0.0360
	(-1.588)	(-1.610)
Controls	No	No
Headquarter State FE	No	Yes
Industry-by-Year FE	Yes	Yes
Firm FE	Yes	Yes
Observations	16,939	16,939
Adjusted R^2	0.260	0.260