



"Tax Seaduction"

Published on *Show-Me Institute* (<https://showmeinstitute.org>)



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Missouri exempts yachts from sales taxes. And, like most selective sales tax exemptions, this policy has several negative consequences. Mike McGraw [wrote about this](#) in the *Kansas City Star* over the weekend (link via [Combest](#)).

First, there is a fiscal problem: Missouri is losing \$6 million a year as a result of the exemption. The fact that Missouri is cutting other areas of its budget (e.g., education and battered women's shelters) to address its deficit exacerbates this problem.

Second, there is a fundamental problem: The policy encourages rent-seeking. Boat producers benefit because the sales tax exemption provides an incentive for a person to buy a bigger boat than she would otherwise. From [the article](#) :

The additional revenue that taxing large boats would generate would be more than offset by sinking boat sales and lost jobs, said Mike Atkinson of the Lake of the Ozarks Marine Dealers Association. [...]

Exemption-eligible boats appear to be especially popular with Jefferson City lobbyists, whose colleagues have fought for years to keep the tax break on the books.

I tried to brainstorm a list of consequences of the sales tax exemption on yachts that are positive, albeit admittedly insignificant, for the purpose of this post. For one, Missouri residents benefit from some ironic boat names, such as "Tax Haven," "Tax Seaduction," and "Special Interest." (These are just as witty as [Tiger Woods' yacht](#), "[Privacy](#).") Additionally, this exemption removes any incentive for [members of film production companies to misuse the film tax credit program](#) in Missouri to purchase a yacht for their personal use. They'd have to go to a different state.

About the Author



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[2] <http://www.kansascity.com/2010/02/20/1762573/in-a-time-of-budget-cuts-yacht.html>

[3] <http://www.johncombest.com/>

[4] <http://blogs.wsj.com/wealth/2009/12/01/tiger-woods-values-his-privacy-and-his-privacy/tab/article/>

[5] <https://showmeinstitute.org/2010/02/may-i-have-a-taxpayer.html>

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