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Here's the Tax Beat broadcast for August 26

Subject Line: Yacht to Be Kidding

On November 5, 1990, Congress went yacht hunting. Facing a deficit that looked terrifying at the time ($3.23 trillion!), lawmakers cut a bipartisan budget deal that included a “luxury excise tax.” Ten percent on the amount over the line for boats above $100,000, cars above $30,000, aircraft above $250,000, and jewelry and furs above $10,000. George H.W. Bush signed it, breaking his "read my lips" promise. Congressional Democrats took victory laps about the rich finally paying their fair share. The Joint Committee on Taxation penciled in $9 billion in new revenue over five years.

Then Congress discovered rich people aren’t legally required to buy their new yachts in the U.S. They bought them in Europe instead. Or they kept the old boat another season. Or they bought “gently used,” from a little old lady who sailed it on Sundays, which wasn't taxed. Within eight months, Viking Yachts, the largest boatbuilder in America, had laid off 81% of its 1,400 workers. Egg Harbor Yacht in South Jersey filed for bankruptcy and put 250 people on the street. The Joint Economic Committee counted 7,600 boating jobs gone in the first year, plus 1,470 in aircraft and 330 in jewelry manufacturing. Trojan, Pacemaker, Tollycraft: all gone.

And the revenue? Congress had projected $31 million for 1991. The actual catch was barely half of that. The yacht piece brought in a grand total of $12.6 million over the first year and a half, which is roughly what the federal government now borrows every three minutes today. Congress repealed the whole misbegotten thing in August 1993, after flattening an American industry for pocket change.

I bring this up because last Tuesday the national debt crossed $40 trillion.

That's $40,047,426,000,000 on the Treasury's own balance sheet, which they update daily. About $117,000 for every man, woman, and child in the country, and roughly double where we stood ten years ago. For scale: every ounce of gold ever pulled out of the earth in all of human history, valued at today's spot price, comes to about $33 trillion. We’re seven trillion dollars past all the gold there is in the world. Washington borrows $6 billion a day now. More than half of that is interest on money we already owe, more than the entire defense budget. On the current path we hit $50 trillion in six years.

Nobody is paying that off. So the only question that actually matters is who gets stuck with the tab for carrying it.

And that brings us back to 1990. When Washington goes looking for revenue, it doesn't aim at wealth. It aims at whatever is visible, immobile, and slow to react. Yacht buyers proved a lot more mobile than Congress expected. Yacht *builders* were not. If you own a business, it's worth asking which of those two you resemble, because a Schedule C, a W-2, and a K-1 with your name on it are all remarkably easy for the IRS to find.

The good news is that, even $40 trillion in the hole, the code is still full of perfectly legal ways to dodge the tax bullet. Entity structures. Retirement plans that let you move six figures a year off the top before anyone gets to it. Depreciation. Putting your kids on payroll. Charitable vehicles that pay you back. None of it is exotic, none of it is hiding, and none of it requires going out on a legal limb. The catch is that almost nobody bothers to plan until the bill arrives, and by then it's too late.

Washington is going to keep hunting for someone to pay for all of this, and history says they'll aim at whoever's easiest to find. Call us, and let's make sure your name isn't the one painted on the transom!

Kevin