

Anchin Alert

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NYS Art Collectors Under Scrutiny for Taxes on Shipped Art

Law enforcement and tax authorities have been closely investigating electronic records and tax returns for the buying and selling of art in New York State. Art collectors and intermediaries have come under close scrutiny as to whether they have been paying taxes, maintaining shipping records and providing invoices during the sales process.

For some, these tax bills have come as a shock. In one case, a lawyer had come forward about a “seven-figure” tax bill he received for arranging a viewing of a multimillion dollar painting. The painting was brought from Europe to New York State and the lawyer was listed as the contact person on the invoice. He was also served the tax bill for the transaction. After proving only to be the intermediary, he was at no fault for the amount due. However, others have not been as lucky.

Authorities are investigating a wide range of transactions and some are unknowingly being served tax bills. People who have recently moved to New York are receiving taxes on shipped art along with people who are shipping personal property through New York.

In New York City, the “first use” or sale of a work of art will be subjected to an 8.875% tax. For example, if a Manhattan resident were to purchase a \$10 million work of art from a gallery in Paris and ship it home to Manhattan, he would be subject to an \$887,500 sales tax in New York State. There are a few loopholes that a well-seasoned art collector may utilize but they can only hope to postpone these taxes, once the art enters New York State, the collector will be expected to pay.

Investigations have revealed behind-the-scenes transactions designed to avoid tax. Art collectors may be subject to investigation if they possess valuable art, have repeat transactions or New York addresses.

For more information, please contact your Anchin Relationship Partner or Sharon Ackerman, Director in Anchin’s Tax Controversy Services Group, at 212.840.3456.



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