

# A New Tax-Free Way to Store Art

New York City is on track to get a tax-free art-storage warehouse when ARCIS, an 110,000-square-foot facility, opens in Harlem



Artwork is often shipped in wooden crates. *PHOTO: ISTOCKPHOTO/GETTY IMAGES*

By

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New York could become the latest tax haven for art collectors.

A pair of art shippers who for years watched collectors buy works in the city—only to store them tax-free in warehouses in Delaware or Switzerland—have won the right to turn a former parking lot in Harlem into a foreign-trade zone.

The shippers, Tom Sapienza and Kevin Lay, plan to open a 110,000-square-foot facility, called ARCIS, that can store as much as \$2.5 billion worth of art duty-free. Collectors will be able to buy art in New York, or anywhere in the world, and store it in ARCIS's four-story warehouse indefinitely without having to pay local or state taxes—although taxes will be due once the art leaves the site. Moving new purchases into storage can give collectors and dealers time to save up to pay the taxes later rather than right away—or time to resell the work while it's in storage

and thereby pass on the sales tax to someone else. Collectors can also choose to ship their work internationally and avoid paying local taxes altogether.

The site also will have five viewing rooms, including one that is 1,000-square feet and has 16-foot ceilings with a hoist capable of lifting two-ton sculptures. Consultants from Amsterdam’s van Gogh Museum advised on climate-control specifications to preserve the works, whether a fragile drawing or a hefty bronze. ARCIS is being developed by the real-estate investment firm Cayre Equities.



ARCIS Executive Director Tom Sapienza, founder Ken Cayre and operations director Kevin Lay  
*PHOTO: ARCIS*

“You can buy a sculpture in New York and not have to pay thousands to airfreight it out of the country right away,” said Mr. Sapienza, the executive director of ARCIS. “Once it’s here, you have time to figure out what you want to do with it.”

A spokeswoman for U.S. Customs and Border Protection confirmed that ARCIS had received “tentative approval” for tax-free designation. She said the site will have to follow strict rules set by customs officials to avoid potential abuses such as money-laundering or fraud.

Free ports, as such sites are called in Europe, have come under scrutiny in recent months. Investigators in Switzerland and elsewhere have pressed facilities such as the Geneva Free Port for more information about their clients and the contents of the crates they are storing. Free ports say they comply with local tax laws. They have gained a reputation as places to hide or trade black-market goods such as weapons or drugs.

New York tax authorities also have been cracking down on potential tax dodges. Last summer, the state's Attorney General, Eric Schneiderman, reached a \$4.8 million settlement with Gagosian Gallery after alleging that the gallery had used independent shippers to avoid charging clients New York sales taxes on art. As part of the settlement, the gallery created its own shipping division to better comply with the law. The settlement sent shivers through the gallery world that New York was taking a harder look at how art is paid for before it leaves the state.

ARCIS's creators say they want nothing to do with the black market for art. "We're not interested in any subterfuge," said Mr. Lay, the company's director of operations, who previously worked for art shippers like Crozier and Dietl International. "We'll have strict controls, and I'll open our files to the FBI if they ask."

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