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So You Just Bought a \$450 Million Leonardo da Vinci Painting. Now What?

From decoy trucks (yes, really) to tax wizardry, here's what happens after you win the most expensive painting in auction history.

Brian Boucher & **Eileen Kinsella**, November 22, 2017



A woman takes in the vast and unsettling implications of the *Salvator Mundi* at Christie's. (TOLGA AKMEN/AFP/Getty Images)

It's not hard to imagine a feature film based on the \$450 million sale of Leonardo da Vinci's *Salvator Mundi* (c. 1500). In the movie version of the event, as soon as the hammer comes down, the auction house sends out decoy trucks and spreads disinformation on the dark web to thwart potential gangsters waiting to seize the work for their mobbed-up bosses.

The reality is far more mundane—but no less complex. (Don't worry, it still involves decoy trucks.) There are numerous practical matters to consider, like packing, shipping, insurance, and tax liability. So, as soon the winning bid comes in, a host of legal and logistical procedures are set in motion. With more and more works commanding eight- and nine-figure prices at auction—including a \$110 million Basquiat this past spring and a \$179 million Picasso in 2015—the stakes have never been higher when it comes to handling pricey works.

We spoke to a handful of experts—a lawyer, an insurer, two shippers, and an art storage expert—to find out what happens after the lights in the sale room go down and the champagne bottles are empty. All said they had no direct personal knowledge of the Leonardo, but are intimately familiar with how to handle high-profile transactions. (The real experts in all of this, Christie's, declined to comment.)



The green stands for money. (TIMOTHY A. CLARY/AFP/Getty Images)

The Lawyer

Once you get a work like *Salvator Mundi* out of the auction house, you must figure out where to ship it. That's where a lawyer comes in. He or she will limit your tax liability and make sure you don't get stung by restrictive export regulations.

As John Cahill, who founded his own firm after serving as general counsel for auctioneer Phillips de Pury & Co., notes, if you ship the painting to Italy, you'll have a hard time getting it out again. (Because Leonardo is Italian, *Salvator Mundi* would be considered a piece of cultural heritage, making any future export difficult.)

Other countries, such as the UK, have other restrictions, which require a buyer to allow the government to match a work's sale price before he or she can sell it outside the country.

Another data point in determining where to put your Leonardo: taxes. If you want to enjoy your Renaissance treasure in your New York apartment, you would have to pay New York sales tax—which would run you around \$36 million, estimates Cahill.

If you buy a work of art in one state and live in another, you would also have to pay what's called "use tax." But some buyers have found creative ways to avoid that. When collector Elaine Wynn bought a Francis Bacon for \$142.4 million in 2013, she parked it at the Jordan Schnitzer Museum of Art in Eugene, Oregon, before taking it home. The loan saved her some \$11 million in use taxes, reported the New York Times.

"People from California can park things in Oregon and Arizona without paying use tax," Cahill said. But "without knocking those states at all, not every museum could deal with the crowds the Leonardo would bring or the security it would require."

Is it possible that lawyerly magic could make it worth a collector's while to donate *Salvator Mundi* to a museum? Though the tax breaks for art donations in the US have been chipped away over the years, some benefits remain.

To get the full deduction, Cahill says, the donor would need an income of \$190 million, and if he or she wanted to take the full deduction in one year, they would need an income of \$960 million. But if you just dropped \$450 million on a painting, you may well be in that very tax bracket.

The Shipper

Once you work out a game plan with your lawyer, you'll need to get your work from point A to point B. And that's where things start getting risky. Most insurers will agree that "the majority of claims arise from transporting artworks," says Simon Hornby, president of art shipper Crozier,

And both Hornby and Derek Jones, executive director of art mover Atelier, concur: Yes, you run decoy trucks to add protection in a case like the Leonardo.

"It's not unusual to have a complete communication blackout," Hornby says, "so only one or two people know the exact plan." Final details of the shipping route may be made very late in the game to maximize security. Other precautions could involve booking multiple flights and even making decoy shipments of similarly sized artworks at the same time.

The extra security escorts, which both shippers acknowledge would be on duty, would be highly discreet, so that the average Joe wouldn't be able to tell the difference between a routine shipment and a top-value delivery.

The truck that transports the work would also be state-of-the-art, outfitted with shock absorbers that operate with air bag technology, not old-fashioned springs, as well as climate control, GPS tracking, and alarm systems.

Two drivers—who, at least at Jones’s company, also happen to be trained art handlers—would be on hand in case one of them needed backup. The loading area would provide proper light levels and protection from UV exposure. And the crate that contains the work would also be high-tech, with a robust wood hybrid exterior and a vapor barrier inside that resists dampness.

The Insurer

Now that you have your Leonardo heading to a secure location, you need to make sure it’s protected along the way. But who wants to assume the risk of insuring a \$400 million work of art that is, literally, irreplaceable? No one, that’s who.

With an object like *Salvator Mundi*, the buyer will probably end up with an arrangement known as a “quota share,” says Kate Buchanan, vice president of Huntington T. Block Insurance Agency.

“Basically, you split the percentage of premium with all these insurers so they all have a piece of it, and then you also split the losses,” she explains. “So if you get 20 insurers to go in on it, each takes 20 percent of the premium. If there is, god forbid, even a partial loss, they’ll each take their piece. It spreads the risk out.”

Buchanan says a key part of insuring the work also revolves around who owns it and is obtaining the policy. For a large museum, the Leonardo would be “one piece of a much larger collection and it can get rolled into that policy. The change in exposure is not going to be completely out of bounds for the rest of the collection.”

For a private collector who owns a number of works, a blanket policy may also apply, though security and climate control will be more difficult to guarantee outside of a controlled environment like a museum.

All of this presumes, however, that the buyer plans to get insurance in the first place. In what is likely to send a chill up the spine of art lovers the world over, Buchanan says the high-end insurer’s “greatest competition” is “self-insurance”—i.e., no policy at all. This concern applies to a case like *Salvator Mundi*, which is the last work by Leonardo on the private market and, therefore, legitimately impossible to replace.

“We sometimes see people who can afford to purchase something like this,” Buchanan explains, “but they could afford to live without it if something happened.”

The Storage Expert

If you decide to go without insurance for your Leonardo, there will be one hitch: You'll have trouble storing it. Steve Novenstein, the CEO of state-of-the-art storage facility UOVO in Long Island City, Queens, said his company would require proof of insurance before agreeing to house such a painting.

Other considerations include transportation and condition: "Who is packing it? Who did the last condition report? When are we doing the condition report? How is it crated and who is doing the crates? Who is doing the packing and where exactly is it going in our facility?"

Beyond that, UOVO, whose founders have a real estate background, make sure to implement top-of-the-line security, including biometric features and motion-activated cameras.

Before we proceed further in discussions of the process, Novenstein wants to make one thing clear. "We're not storing this piece," he says. "I just want to make sure you know that."

But as any savvy consumer in the world of ultra-high-value art knows: Isn't that what you would say regardless?

