

The Artful Dealer

Larry Gagosian sits at the pinnacle of the art world, with his architect-designed galleries and an A-list roster of artists and clients. But his famous wheeling and dealing, the government claims, included millions of dollars in evaded taxes. Has he painted himself into a corner?

By [Phoebe Hoban](#)

The Veuve Clicquot was flowing freely at Larry Gagosian's Madison Avenue gallery on a brisk Thursday evening in early April. The crowd that turned out for the opening of a dazzling Picasso sculpture show included Bianca Jagger; former Museum of Modern Art curator Kirk Varnedoe and his wife, the sculptor Elyn Zimmerman; the painter Cecily Brown; and at least one live Picasso, Diana, a granddaughter of the artist.

At the center stood Gagosian, exchanging air kisses and handshakes. Easily identifiable by his trademark helmet of silver hair, he was, as usual, impeccably armored in a designer suit. He warmly greeted a procession of collectors and socialites, then pumped the hand of the ubiquitous art-world wag Charlie Finch, who had just posted a news item on Artnet.com about the titillating scandal hovering over Gagosian's art empire—the U.S. government's lawsuit against the dealer and three others for a whopping \$26.5 million in taxes, interest, and penalties on art allegedly purchased through a shell corporation in 1990.

“This case involves a complicated scheme with a simple goal—to prevent the United States from collecting millions of dollars in taxes owed,” U.S. Attorney James B. Comey had proclaimed on March 19, the day the government filed its suit. The Artnet item had helpfully provided a link to the government's legal complaint, which was devoured by the gossip-hungry art community. In its byzantine 26-page document, the government paints a picture of the art deal as an elaborate three-card-monte scheme, with four paintings—worth some \$12 million—as the prize.

To complicate matters further, Gagosian had just been implicated, although not named as a defendant, in a separate federal case involving ImClone's notorious founder, Sam Waksal, a Gagosian client and pal. Waksal had admitted to owing \$1.2 million in New York State sales tax on \$15 million worth of contemporary art purchased from the Über-dealer.

The Gagosian Gallery issued statements denying that it had been involved in anything illegal and confirming that it was cooperating in the Waksal matter. When it came to the IRS, however, Gagosian was playing hardball. He had actually preempted the government's lawsuit by two days, filing his own suit against the IRS on March 17, claiming superior title to three paintings on which the government had placed liens in an effort to collect delinquent taxes.

Once again (paging Martha Stewart), it seemed Waksal's legal problems—like some sort of retrovirus—had spread to others. It was Waksal's admission to evading New York State sales taxes that apparently triggered both the Gagosian suit and the countersuit. For years, Gagosian's attorneys and accountants had been trying to get the government to remove tax liens on the paintings in question, which kept him from selling them. At the beginning of March, Gagosian's lawyers say, they were finally close to settling the matter out of court. “And then when Waksal hit, the government was all of a sudden no longer interested in those negotiations,” says Bijan

Amini, of Storch Amini & Munves, Gagosian's legal team. "So we filed suit to remove the cloud on the paintings." Within 24 hours, the government responded with a suit of its own.

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