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Nazi Art Loot Grows As Tax Hungry Germany Promises List

The world continues to be captivated with this story of looted art, intrigue and government bungling. It started in what was supposed to be a tax evasion search in early 2012. It now turns out that German officials have secretly had a treasure trove of Nazi purloined art for over a year and a half. Given that most of the art disappeared during the Nazi Third Reich, it's a sensitive topic to keep bottled up for that long.

That's especially so given that heirs of rightful owners are just hearing about it too. What's more, German officials have still not even released a full list of the Nazi haul. Yet we know the trove of purloined art includes works by Picasso, Renoir, Degas, Toulouse-Lautrec, Rodin and Matisse. Although the bizarre story broke only weeks ago, it started in 2010 with a tax investigation query.

In early 2012, German tax authorities were searching the home of a suspected tax cheat named Cornelius Gurlitt, son of a Munich art dealer. They found and seized approximately 1,400 works of art valued at \$1 billion that vanished



German Chancellor Angela Merkel (Photo credit: Wikipedia)

during the Nazi regime. More recently, authorities just seized 22 additional works thought to be connected to the larger haul. See [German Police Pick Up More Artworks](#).

The fact that German authorities have had 1,400 of such works for over a year and a half without releasing a list of the works or trying to notify legitimate owners has irked many. And while the local prosecutor only seems interested in his tax case, Chancellor Angela Merkel has now said a list will be forthcoming. See [Germany to quickly catalogue Nazi art hoard](#).

Of the nearly 1,500 artworks, 200 are reportedly the subject of international warrants. There are even purchase records reportedly showing that the art dealer whose son secreted the collection in his flat paid the Nazis just 4,000 Swiss francs for 200 paintings now worth millions. A purchase contract published in a German paper says the senior Mr. Gurlitt bought them from Joseph Goebbels, Hitler's propaganda minister, in 1940. See [Art hoarder paid Nazis just 20 francs a painting](#).

German authorities are scrambling to improve the optics and to reach out to groups impacted by the astounding find. Although some expect a land rush of claims from putative owners, at least some claims surely date to forced sales or confiscations by the Nazis. And while Germany was originally looking for taxes, one wonders if they'll collect any.

Under U.S. tax law, if you find something it is generally income unless you can show it was rightly yours all along. Restitution claims by some who claim rightful ownership are sure to follow. U.S. officials, groups representing Holocaust victims and others with potential claims on the art want details.

If you get back your money or property, it generally shouldn't be income. However, if you claimed a tax loss, you may have to report the item as income when you recover it. In the case of art, the value is famously hard to pin down. In fact, most tax cases about art deal with valuation, either for purposes of charitable contributions or estate tax.

You can reach me at Wood@WoodLLP.com. This discussion is not intended as legal advice, and cannot be relied upon for any purpose without the services of a qualified professional.