

# Tax Scheme Is Blamed for Damage to Artifacts

By Matthew L. Wald

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WASHINGTON Recent raids on museums in Southern California have stirred much questioning in the art world about why three federal agencies would devote four years to investigating what seems to be low-level smuggling and penny-ante tax fraud.

Yet tax experts say that the pattern of deceit outlined in court papers appraising art objects for amounts just below a threshold that sets off higher scrutiny is frequently investigated by the criminal enforcement arm of the Internal Revenue Service.

And a scholar who aided in the investigation argues that the modest dollar value of the objects mostly artifacts from Southeast Asia that the authorities say were probably looted is vastly eclipsed by the damage that looters wreak at archaeological sites, adding urgency to the inquiry.

The scholar, Joyce C. White, director of the Ban Chiang Project at the University of Pennsylvania Museum of Archaeology and Anthropology, said that the items smuggled and sold in the United States tend to be those that are intact, and that for each intact item removed there were doubtless many broken ones. When properly excavated, she said, the ensemble of items establishes the date of the intact artifact and yields countless details about historical and social context.

The looting of “any one piece of intact pottery represents the huge complete erasures of books and books and books that would have, could have, been written had the research been done,” she said in a telephone interview.

Ms. White said that federal agents had enlisted her to inspect and authenticate a range of Southeast Asian objects seized in raids from Jan. 25 to 30, and that she had also testified before a grand jury. No one has been charged in the case.

Criminal enforcement agents of the Internal Revenue Service, the Interior Department and Immigration and Customs Enforcement searched the Los Angeles County Museum of Art, the Pacific Asia Museum in Pasadena, the Bowers Museum in Santa Ana and the Mingei International Museum in San Diego, as well as a gallery, homes and storage sites in the Los Angeles area. Applications for the warrants said under the scheme, that smugglers and art dealers were selling prehistoric artifacts to Americans, who were provided with inflated appraisals. Then the art dealers arranged for the items to be donated to the museums, so the donors could take a tax deduction.

To the average observer the operation might be dismissed as low-stakes international intrigue. According to the warrants, many of the artifacts were sold to the donors for around \$1,500 each and then appraised at prices just shy of \$5,000. (Above that amount the paperwork requirements on a tax return grow stiffer.) For a taxpayer in the maximum tax bracket, the savings would be only about \$700 a piece.

The artifacts, while not commonplace, may not qualify as rare. Many were from the Ban Chiang culture, which existed in what is now northeastern Thailand, from around 2100 B.C. to A.D. 200. Objects from that culture are commonly offered for sale on eBay for example. And experts say they are routinely sold by clandestine diggers and in stores in Bangkok, although their export is technically illegal.

The objects in the California investigation were sometimes smuggled into the United States using a ruse that seems comical. In a reversal of the classic art fraud, they were genuine artifacts, but labeled reproductions, according to court documents.

The looting galls anthropologists. "Intact artifacts tend to come from burials," Ms. White said. "What you're seeing is the remains of graves from all over Southeast Asia being commercially passed around, with all the knowledge about human

remains race, sex, age, genetic makeup, the animal remains that tell what food was eaten, the crucibles that show you how they were making the metals all thrown out.”

Ms. White has participated in several research digs at the Ban Chiang site, and the Penn museum conducted the first major dig at Ban Chiang in the 1960s.

At the center of the investigation are Robert Olson, who the search warrants said smuggled looted antiquities out of Thailand, Myanmar and China, and Jonathan Markell and his wife, Cari, owners of the Silk Roads Gallery in Los Angeles.

In affidavits federal agents said that the Markells imported looted antiquities provided by Mr. Olson and then arranged to donate them to museums on behalf of clients who took inflated tax deductions for the gifts. Some of the appraisals falsely stated that they were prepared by Roxanna M. Brown, director of the Southeast Asian Ceramics Museum at Bangkok University.

Ms. Brown said that trade in such artifacts was common. “All these things are sold openly in expensive shopping centers,” she said, although the average tourist would probably not realize that the export of such artifacts is illegal in Thailand.

Prices vary widely, depending on whether the item is bought in a high-end store or “you go out in the country and buy it from one of the diggers,” Ms. Brown said. There have also been cases in which artifacts have been sold by Thai police officers, who presumably confiscated them from scavengers, she said. But the number of Ban Chiang items reaching the market seems to have declined somewhat, she said.

“Looting of that material pretty much dried up in 2000 to 2003,” she said. “They’ve run out of easy sites.”

Ms. Brown said that she had met Mr. Olson, but had never seen him in Thailand, and that she understood that the Markells had also visited Thailand “once or twice.” The Markells have refused to comment by telephone on the case and did not respond to e-mail queries early Sunday.

(Federal agents in the United States are also focusing on Barry L. MacLean, an art collector and industrialist who is a vice chairman of the Art Institute of Chicago and founded a private museum just north of Chicago. According to federal documents related to search warrants Mr. MacLean bought from Mr. Olson artifacts looted in Cambodia, Thailand, Myanmar and Vietnam.)

Tax experts and appraisers say that the practice of inflating the value of “in-kind donations” is widespread, although the objects involved are usually not prehistoric ax heads or pottery.

Burton J. Haynes, a lawyer in northern Virginia who is a former I.R.S. criminal investigator, said taxpayers often list improbably high values for used clothing or furniture donated to charities. “It’s something a tax preparer can inflate quite easily for a low-income taxpayer and make them feel like they’re getting away with something,” he said.

But individual taxpayers also could be targeted, he said.

Scams involving art valuations have been common over the years, experts say. “You bought a painting at an auction or a yard sale for \$100, had it appraised for \$5,000 and donated it to the local Humane Society,” said Roger P. Durkin, an appraiser in Boston who said he had been called on by customs officials, federal marshals, the F.B.I. and others to authenticate seized goods. The size of the scams has shrunk as the I.R.S. has raised the documentation requirements for goods valued at \$5,000 or more, he said.

In addition, he said, recent changes in the law enable the I.R.S. to fine appraisers who fraudulently overvalue items.

There is no indication that tax preparers are being investigated in the looted antiquities case, although grand jury indictments of other individuals are anticipated.

The January raids were different from most recent high-profile art investigations, which have involved Classical antiquities excavated in Italy or Greece and pursued by the governments in those countries.

“This investigation is calling attention to the importance of the global archaeological record, and not just large expensive pieces of Classical antiquity,” Ms. White said in an e-mail message over the weekend.