NewEdge WEALTH

New York City Pied-a-terre Tax

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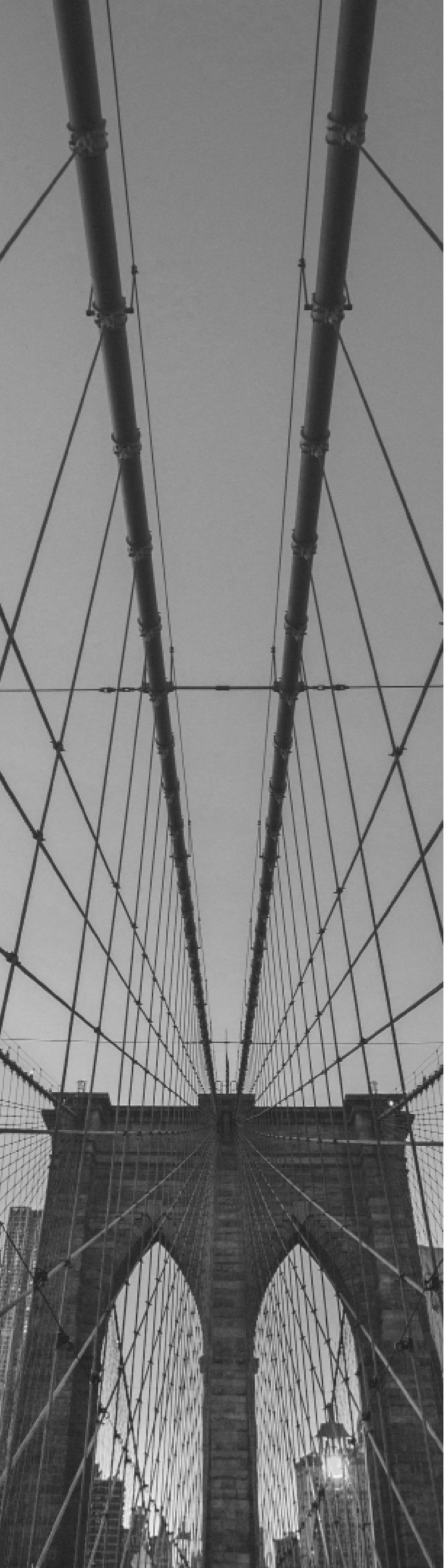

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As part of New York's Fiscal Year 2027 Budget, the state enacted an annual surcharge on certain high-value New York City residences that are not used as the owner's primary home. The tax took effect July 1, 2026, and the city has just extended the deadline for owners to apply for an exemption to September 18, 2026. Below is a summary of what it is, who is affected, and what to do next.

Overview

The new 'pied-à-terre' surcharge is designed to target luxury residences used as second homes or occasional-use properties. This is imposed in addition to traditional property taxes.

The surcharge applies to the following New York City residential property types when not used as a primary residence:

- One-, two-, and three-family homes and town-houses
- Condominium units
- Cooperative apartments

The law also contains 'look-through' ownership provisions that would attribute ownership to individuals when a property is held through a trust, LLC, partnership, corporation, or other entity.

Primary Residence Exception

The surcharge does not apply if the property serves as the primary residence of:

- The owner
- Certain immediate family members (spouse, child, parent, sibling, grandparent, or grand-child)
- A tenant occupying the property under a bona fide lease of at least one year

One open question is whether the surcharge applies to 'statutory residents', or those individuals domiciled outside New York City who nonetheless qualify as City residents by spending more than 183 days there each year. Based on the current legislation, it appears the surcharge may still apply, since a person domiciled elsewhere cannot, by definition, treat a New York City property as their primary residence. Until the NYC Department of Finance issues further guidance, this tax risk should be treated as a potential exposure rather than a certainty.

Tax Rates: Two Phases

Phase One (July 1, 2026 – June 30, 2028)

One-, Two-, and Three-Family Homes:

Property Value	Annual Surcharge
$5 million – $15 million	0.80%
More than $15 – $25 million	1.05%
More than $25 million	1.30%

Note: The valuation for these homes is based on the Department of Finance's existing methodology in calculating traditional property tax bills.

Condominium and Cooperative Units:

Assessed Value	Annual Surcharge
$1 million – $3 million	4.00%
More than $3 –$5 million	5.25%
More than $5 million	6.50%

Note: The rates appear higher for condo and co-op units because they are also valued using the Department of Finance's existing methodology, but this methodology historically produces assessed values well below actual market prices. The lower thresholds and higher rates should therefore be viewed together.

Phase Two (Beginning July 1, 2028)

Beginning July 1, 2028, condominium and cooperative units will be valued using a comparable-sales methodology that more closely approximates fair market value. At that point, the separate condo/co-op rules end, and all covered properties move to the same $5 million threshold and the rate structure shown above for homes.

Key Deadlines

By August 30, 2026: The Department of Finance will notify owners it believes may be subject to the surcharge. Letters went out via mail beginning July 23, 2026.

September 18, 2026: Extended deadline for owners who received a notice to apply for a primary-residence exemption (announced by the Mayor's Office on August 1, 2026)

Owners must choose one appeal path: the Tax Commission (disputes over the assessed amount) or the Department of Finance (disputes over primary-residence classification) — not both.

Cooperative Owners and Boards

The Department of Finance will add the surcharge for each subject unit directly to a cooperative building's overall property tax bill, and the co-op board is responsible for collecting the tax from the applicable tenant-shareholders. If a shareholder fails to pay, the unpaid amount can result in a lien on the entire building. It is advised that boards revisit proprietary leases, residency disclosures, and collection procedures in light of this risk.

What You Should Do Now

- Review whether your property qualifies as your primary residence, or that of a qualifying family member or tenant.
- Check your property's annual Notice of Property Value and any notice received from the Department of Finance to assess the valuation.
- Revisit ownership structures involving trusts, LLCs, or other entities in light of the look-through rules.
- If you received a "You may be subject to..." notice, submit an exemption application before the September 18, 2026 deadline.
- If you serve on or advise a co-op board, review collection procedures and lease provisions for tenant-shareholder delinquencies.

We are closely monitoring guidance from the New York City Department of Finance.

Broader Trend

NYC's pied-à-terre tax is part of a broader trend of states and localities taxing second homes and high-value non-primary residences. Montana adopted a similar rate structure on non-owner-occupied homes in 2025, and Rhode Island, Hawai'i County, and Washington, D.C. have each moved toward higher property tax rates targeting vacation homes and high-value properties.

Source: https://www.nyc.gov/mayors-office/news/2026/08/mayor-mamdani-and-commissioner-lee-extend-deadline-for-pied-a-te

https://kaufmanrossin.com/blog/pied-a-terre-tax/

https://www.daypitney.com/new-york-enacts-new-pied-a-terre-tax-on-certain-high-value-new-york-city-residences

Important Disclosures

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