July 27, 2026

New York Enacts New Pied-à-Terre Tax on Certain High-Value New York City Residences

Highlights

- New annual surcharge applies to certain high-value New York City residences not used as a primary residence.
- Tax became effective **July 1**.
- Two phases of rules apply to condominium and cooperative units — phase one covers July 1, 2026, through **June 30, 2028**.
- In phase two, beginning **July 1, 2028**, all covered properties will be subject to a uniform valuation methodology and common tax rates.

1) Overview

As part of New York's Fiscal Year 2027 Budget, the state has enacted a new annual "pied-à-terre" tax on certain high-value residential properties located in New York City not used as a taxpayer's primary residence. The 2026-2027 New York State Budget Bill has officially added a "City Surcharge on Property That Does Not Serve as a Primary Residence."

The surcharge is imposed in addition to existing real property taxes and is intended to target luxury residences used as second homes or occasional-use properties.

Because the legislation includes different valuation rules during an initial transition period, owners should not assume that a property's purchase price or estimated market value determines whether the tax applies.

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2) Which Properties May Be Subject to the Tax?

The new surcharge may apply to residential property in New York City, including:

- one-, two-, and three-family homes;
- townhouses;
- condominium units; and
- cooperative apartments.

The law also contains "look-through" ownership provisions that may attribute ownership to individuals when property is held through trusts, limited liability companies, partnerships, corporations, or other entities.

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3) Primary Residence Exception

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

- the owner;
- certain immediate family members (including a spouse, child, parent, sibling, grandparent, or grandchild); or
- a qualifying tenant occupying the property under a bona fide lease with a term of at least one year.

The New York City Department of Finance will make annual determinations regarding primary residence status and establish procedures for taxpayers to substantiate any exemption.

One unanswered question relates to whether the surcharge will apply to statutory residents. Statutory residents are individuals who maintain their primary residency (domicile) outside New York City but qualify as New York City residents by virtue of spending more than 183 days in New York City. At least based on the current legislation, the answer appears to be yes. The surcharge applies to covered property that is "not a primary residence." A person domiciled elsewhere cannot, by definition, use a New York City property as their primary residence because their domicile is their primary residence. And the primary residence proof acceptable to New York City (a state income tax return listing the property's address as the covered owner's permanent home address) would not be an option for someone whose permanent home address is outside New York City.

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4) Phase One: July 1, 2026 – June 30, 2028

(a) Class One Homes

For one-, two-, and three-family homes, the surcharge applies to properties with a value of **$5 million or more**.

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

(b) Condominium and Cooperative Units

During the phase one period, condominium and cooperative units are subject to different thresholds and rates.

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

Although these rates appear significantly higher than those applicable to homes, they reflect the valuation methodology used during the interim period.

For condominium and cooperative units, the legislation relies on the Department of Finance's existing valuation methodology, which historically has produced values that are substantially below actual sales prices. Accordingly, the lower thresholds and higher rates should be viewed together rather than independently.

5) Phase Two Begins July 1, 2028

Beginning July 1, 2028, condominium and cooperative units will be valued using a methodology that considers comparable sales, resulting in valuations that more closely approximate fair market value.

At that time:

- the separate condominium and cooperative rules will be eliminated;
- all covered residential properties will be subject to the same $5 million threshold; and
- the graduated surcharge rates applicable to Class One homes will apply uniformly to all covered properties.

6) Administrative Guidance Expected

The New York City Department of Finance is expected to issue regulations addressing:

- valuation procedures;
- primary residence certifications;
- reporting requirements;
- documentation standards; and
- audit and enforcement procedures.

Additional guidance may clarify several practical issues surrounding administration of the new tax.

7) What Property Owners Should Do Now

Owners of high-value New York City residences should consider reviewing:

- whether the property qualifies as a primary residence;
- the property's annual Notice of Property Value;
- ownership structures involving trusts or business entities;
- existing leasing arrangements; and
- the potential impact of the revised valuation rules that take effect in 2028.

For owners of condominium and cooperative units in particular, the valuation used during the initial implementation period may differ significantly from actual market value, making it important to understand how the new tax will be calculated. New York City officials have said that by **August 30**, the city will notify owners of second homes what they owe, and owners will then have **30 days** to contest those bills. Regulations block owners from challenging a tax assessment at multiple city agencies. Taxpayers must decide between filing appeals at the city's Tax Commission or Department of Finance; however, the Department of Finance will handle only cases that dispute a residence's classification as a second home, as opposed to the amount of the bill.

8) How We Can Help

The enactment of New York's new pied-à-terre tax introduces another layer of complexity for owners of secondary residential homes in New York City. Our Private Client, Tax, and Real Estate attorneys are monitoring forthcoming guidance and can assist clients in evaluating potential exposure, reviewing ownership structures, and documenting primary residence status.

If you have any questions about the pied-à-terre tax, please contact Day Pitney Attorney Ryan V. Leichsenring.

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