# The New York Pied-à-Terre Tax

New York State's 2026-2027 Budget Bill introduced a new annual surcharge, commonly referred to as the "pied-à-terre tax," on certain high-value residential properties located in New York City that are not used as a primary residence. Designed to help close New York City's budget deficit, the tax targets second homes and other non-primary residences by adding a surcharge onto existing property taxes on applicable high-value properties. Because the pied-à-terre tax is widely expected to face litigation, affected clients should monitor developments closely.

## Who does the pied-à-terre tax apply to?

Effective July 1, 2026, the pied-à-terre tax applies to non-primary residential properties located in New York City, such as:

- One-, two-, and three- family homes valued over $5 million
- Condominium (condo) units valued over $1 million
- Cooperative (co-op) apartments valued over $1 million

The pied-à-terre tax only applies to residential properties that are not being used as the primary residence of the owner (if a natural person) or the owner's immediate family member (defined as spouse, child, sibling, parent, grandparent, or grandchild). For purposes of the pied-à-terre tax, a residence will be considered a "primary" residence if it is occupied for a majority of days during a calendar year.

For a residence that is held in a trust or entity (such as a limited liability company, corporation, or partnership), there are attribution or "look-through" rules to determine whether the residence will qualify as a primary residence even though title is held by a non-natural person. A residence owned by an entity will be treated as a primary residence if it is used as the primary residence of the holder of a majority interest in the entity. For a residence held in a trust, the property will be treated as a primary residence if the sole beneficiary or beneficiaries of the trust use it as their primary residence.

In addition, residential property will be treated as a primary residence if it is occupied by one or more lessees (or sub-lessees) under a bona fide lease agreement with a term of not less than one year.

## Applicable tax rates

The applicable pied-à-terre tax rates are split into separate phases: the first phase runs from July 1, 2026 through June 30, 2028, and the second phase runs from July 1, 2028 through June 30, 2031.

## The first phase of taxes

In the first phase of taxes, one- to three-family homes valued at $5 million or more are taxed at rates of 0.8% to 1.3%. Co-ops and condos valued at $1 million or more are taxed at rates of 4% to 6.5%.

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## The second phase of taxes

Beginning July 1, 2028, the second phase of taxes, one- to three-family homes valued at $5 million or more are taxed at the same rates of 0.8% to 1.3%. Co-ops and condos valued at $5 million or more are taxed at rates of 0.8% to 1.3%.

## Pied-à-terre tax notice

Each year, the New York City Department of Finance is required to send to the property owner a notice of its initial determination as to whether the property is being used as a primary residence. For the fiscal year starting on July 1, 2026, property owners will receive the notice by August 30, 2026 and will have until September 18, 2026 (extended by New York City) to apply for an exemption from the tax.

## Illustrative examples:

**Example 1 (apartment owned outright):** A husband and wife own an apartment in New York City valued at $7 million, but maintain their primary residence in Florida. Because their primary residence is in Florida, their New York City apartment will be subject to the pied-à-terre tax. If, however, their child were to live in the apartment as their primary residence, the property would be exempt. Alternatively, the family could rent out the apartment under a qualifying lease agreement, which would likewise exempt the property from the tax.

**Example 2 (apartment held in an LLC):** Now suppose the husband and wife in Example 1 instead held the New York City apartment in a limited liability company (LLC). If they do not reside in the apartment as their primary residence, the property would be subject to the tax. Further, as in Example 1, if their child were to live in the apartment as their primary residence, the property may still qualify for the primary residence exemption even though it is directly owned by an LLC.

## Considerations for New York City property owners

The introduction of the pied-à-terre tax affects many owners of high-value New York City residences. If you own a New York City residence, consider the following:

- **Assess your exemption eligibility:** Determine whether your property qualifies for an exemption from the pied-à-terre tax. Key considerations include whether you use the residence as your primary residence and whether the property's value falls below the applicable threshold amount.
- **Gather supporting documentation:** Gather records and documentation that substantiate and support any applicable exemption, such as a lease agreement or evidence that the property is used as your (or your immediate family's) primary residence. Owners who split time between New York City and other locations should revisit their primary residency designations to ensure they are properly documented and defensible.
- **Review ownership structures:** If the residence is held in an entity or trust, examine the ownership structure and the residency of its occupants to evaluate whether changes are required. In all cases, ensure you have all supporting documentation.

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- **Consult your advisors:** Work with your legal and tax advisors to understand the pied-à-terre tax and how it affects you.
- **Plan for the financial impact:** If it is determined that your residence is subject to the pied-à-terre tax, review the effect of the higher tax burden with a financial planner and adjust cash flow plans, or develop a plan to address any liquidity concerns.

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