Tax Insights
from State and Local Tax
Services

New York final budget includes "pied-à-terre tax"

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In brief

What happened?

As part of its enacted budget revenue legislation, New York created a temporary New York City surcharge, commonly referred to as the pied-à-terre tax, on certain high-value residential properties that do not serve as a primary residence. Effective July 1, 2026, through June 30, 2031, the surcharge generally applies to one-to-three-unit homes valued at $5 million or more and certain condominium and cooperative units, with thresholds, rates, and valuation methods that vary by property class and phase of implementation. [S. 9009C, enacted May 28, 2026]

Why is it relevant?

The new surcharge may create a significant additional property tax cost for owners and investors in high-value New York City residences that are not used as a primary residence. It also introduces uncertainty regarding how the Department of Finance will determine whether a property qualifies as a primary residence and how covered condominium and cooperative units will be valued, particularly during the initial phase of implementation.

Actions to consider

Owners and investors should assess whether their properties fall within the applicable value thresholds, review how each residence is owned and used, and retain documentation supporting primary-residence status where appropriate.

In detail

As part of its enacted budget revenue legislation, New York created a New York City surcharge (also known as the “pied-à-terre tax”) at tiered rates imposed on certain high-value residential property that does not serve as a primary residence, beginning July 1, 2026 and expiring on June 30, 2031. A primary residence means the use of a covered property or residential cooperative dwelling unit as a primary residence by one or more of the covered owners (who are natural persons), their immediate family members, or a natural person lessee or sub-lessee under a bona fide lease agreement of not less than one year as of January 5 immediately preceding the fiscal year in which the surcharge is imposed. The New York City Department of Finance is tasked with making an annual determination of primary residence under factors to be established by rule, including (but not limited to) whether the covered property or residential cooperative dwelling unit was occupied in aggregate for a majority of days during a calendar year by a covered owner.

The Department of Finance’s rules provide that an individual may fail to qualify for the primary-residence exclusion through a multi-tier entity structure. If a partnership, corporation, or LLC directly holds the property or cooperative shares, natural persons may qualify as covered owners only if they individually or collectively hold a majority interest in that entity and it holds the required property interest or cooperative shares. Owners should review each property’s ownership and use, assess whether any tiered structure precludes covered-owner status, and retain documentation supporting primary-residence status.

Observation: The New York City Department of Finance is expected to provide notice of its “initial” “primary residence” determination to property owners no later than August 30, 2026. The legislation, however, notes that failure to provide this notice will not affect the validity of the imposition of the surcharge. If the property owner disagrees with the Department’s initial determination, they will have an opportunity to appeal and provide documentation demonstrating that the property served as a primary residence. Originally, the property owner needed to submit their appeal within 30 days of receiving notice of the Department's initial determination; this deadline has since been extended to September 18, 2026.

Covered property means real property classified as class one property (one-to-three-unit residential properties, other than vacant land) with a market value of at least $5 million and class two property that is either a residential condominium dwelling unit or a residential cooperative property in which at least one residential cooperative dwelling unit has a “phase one” (July 1, 2026 to June 30, 2028) market value of at least $1 million or a “phase two” (July 1, 2028 to June 30, 2031) market value of at least $5 million. Excluded are properties for which a temporary or permanent certificate of occupancy is required but not yet issued or a residential condominium dwelling unit or residential cooperative dwelling unit that is subject to an offering plan but has not been sold, or an economic interest in that unit has not been transferred, by the person or entity that filed that plan.

For class one properties, the surcharge will be assessed at a rate between 0.8% and 1.3% based on the property’s assessed value as determined by the Department of Finance. The tax rate structure and valuation methodologies for class two properties will roll out in phases. During phase one (July 1, 2026 to June 30, 2028), the surcharge will be assessed at a rate between 4% and 6.5%, and during phase two (July 1, 2028 to June 30, 2031), the surcharge will be assessed at a rate between 0.8% and 1.3% (the same rates that apply to class one properties). The actual tax rate brackets for class one and class two properties are summarized below.

Class one properties (1, 2, and 3 unit residential homes)

Value range	Tax rate
$5,000,000 - $15,000,000	0.8%
$15,000,001 - $25,000,000	1.05%
$25,000,0001+	1.3%

Class two properties (residential cooperatives and condominiums)

Phase one (7/1/2026 – 6/30/2028)		*Phase two (7/1/2028 – 6/30/2031)*	
Value range	**Tax rate**	**Value range**	**Tax rate**
$1,000,000 - $3,000,000	4%	$5,000,000 - $15,000,000	0.8%
$3,000,001 - $5,000,000	5.25%	$15,000,001 - $25,000,000	1.05%
$5,000,0001+	6.5%	$25,000,0001+	1.3%

Observation: The surcharge applies to class two properties at higher rates and lower value thresholds during phase one versus phase two. This result appears to be informed by the different valuation methodologies that apply during each phase. During phase one, residential condominiums will be valued using the Department of Finance’s assessed property tax value, while the value of residential cooperatives will be equal to the “imputed” value of the unit. These valuation methods could assign a value to a class two property that is lower than the property’s true fair market value. The lower value thresholds, paired with the higher tax rates, are intended to operate so that the surcharge captures the appropriate properties during the initial rollout. The value thresholds increase and the tax rates decrease during phase two because the value of class two properties will then be determined by reference to comparable sales data.

Let’s talk

If you have questions regarding this new tax, please contact:

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