

New York City Enacts “Pied-à-Terre” Tax on High-Value Secondary Residences

June 18, 2026

This client alert summarizes the new annual property tax (often referred to as the “pied-à-terre” tax) that will be imposed on certain high-value New York City residences that are not used as a primary residence.

What Residences Are Subject to the Tax?

Generally, the pied-à-terre tax applies to New York City cooperative apartments, condominium apartments and one-to-three family homes above a threshold value if the property is not a primary residence of (i) the owner, (ii) the owner’s spouse, child, sibling, parent, grandparent or grandchild or (iii) a tenant who is occupying the residence pursuant to an arm’s length lease for a term of at least one year.

When a property is owned by a trust, partnership, LLC or corporation, the legislation treats the sole beneficiary or beneficiaries of the trust, or the majority owner or owners of the entity, as the “owner” for purposes of determining whether the property is the primary residence of the owner or the owner’s family. However, the legislation and proposed rules from the New York City Department of Finance (DOF) raise a number of questions that hopefully will be addressed when the DOF publishes final rules.

The tax is imposed each fiscal year (July 1st – June 30th) based on the property’s use as a primary residence on January 5th of the preceding fiscal year. This means that the tax for the upcoming fiscal year (beginning July 1, 2026) will be based on ownership and use as of January 5, 2026.

The pied-à-terre tax is imposed only if the residence has an assessed market value above a threshold, discussed below. For cooperative apartments, a portion of the building’s assessed market value will be allocated among the cooperative’s shares.

If you have any questions concerning this memorandum, please reach out to your regular firm contact or any member of the [Private Clients Practice Group](#) team listed below.

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How Are Values Determined and What Are the Rates?

The tax is designed to cover residences with a fair market value of \$5 million or more. However, because the DOF believes that the assessed market value of cooperative and condominium apartments is currently much lower than the fair market value, the legislation adopts a two-phase approach to taxing cooperative and condominium apartments.

During Phase 1, which applies for the first two fiscal years (July 1, 2026 to June 30, 2028), cooperative and condominium apartments will be subject to a lower valuation threshold (\$1 million) and higher tax rates than the rates applicable to one-to-three family homes. During this two-year period, the DOF plans to implement a new valuation methodology for cooperative and condominium apartments by using comparable sales to bring the assessed market value up to fair market value. Beginning July 1, 2028 (Phase 2), the valuation thresholds and tax rates for cooperative and condominium apartments will match the rates for one-to-three family homes.

Phase 1 Tax on Cooperative and Condominium Apartments <i>(July 1, 2026 to June 30, 2028)</i>	
Value	Tax Rate
\$1 million to \$3 million	4%
Over \$3 million, but not more than \$5 million	5.25%
Over \$5 million	6.5%

Phases 1 and 2 Tax on One-to-Three-Family Homes <i>(Beginning July 1, 2026)</i>	
Phase 2 Tax on Cooperative and Condominium Apartments <i>(Beginning July 1, 2028)</i>	
Value	Tax Rate
\$5 million to \$15 million	0.8%
Over \$15 million, but not more than \$25 million	1.05%
Over \$25 million	1.3%

Unless renewed, the tax will expire on June 30, 2031.

How Will Owners Know if They Are Subject to the Tax?

Each year, the DOF will provide notice to an owner, called a “Notice of Surcharge,” if the DOF has determined the owner’s property is, or may be, subject to the tax (which is referred to in the legislation as a surcharge). For the upcoming fiscal year, the DOF will provide owners with notice by August 30, 2026. For future fiscal years, the DOF will provide owners with notice by January 30th of the preceding fiscal year (e.g., January 30, 2027 for the 2027-2028 fiscal year).

Any owner who receives a Notice of Surcharge will have the opportunity to challenge the DOF’s initial determination by providing proof that the property is used as a primary residence consistent with the requirements of the legislation. Under the current proposed guidance, the owner must contest the DOF’s determination within 30 days of the DOF’s transmission of the notice.

When is the Tax Due?

For the first fiscal year (July 1, 2026 to June 30, 2027), the tax is due on January 1, 2027. For future fiscal years, the tax will be due in semi-annual installments on July 1st and January 1st.

Will There Be Further Guidance?

The DOF has issued proposed rules offering further guidance on the implementation of the legislation. The proposed rules include a penalty for providing misleading or inaccurate information equal to 50% of the final surcharge if the misleading or inaccurate information would have resulted in an exemption from the surcharge (or 300% of any increase in the surcharge if the misleading or inaccurate information would have resulted in a lower surcharge, but capped at 50% of the final surcharge). These proposed rules are subject to comment and a public hearing scheduled for July 9th. While the rules offer some clarification, many questions remain, including in the context of ownership through a trust or entity. We expect there will be extensive commentary and modifications after the hearing before final rules are issued.