

CLIENT ALERT

The Price of a NYC Address Just Went Up: Understanding the New Pied-à-Terre Tax

June 3, 2026

AUTHORS

Ani Hovanessian | Laura Belkner | Sophia Shore

Clients with second homes in New York City may be subject to a new annual “pied à terre” tax, enacted by the New York State Legislature on May 27, 2026 and taking effect on July 1, 2026. The law (found in Article 30-C of the NY Tax Law) imposes an annual surcharge on certain NYC residences that are not used as primary residences.

For one, two, and three-family homes, including townhomes (“Class 1 Properties”), the surcharge rate will be as follows:

- Class 1 Properties valued at \$5M to \$15M: 0.8%;
- Class 1 Properties valued above \$15M to \$25M: 1.05%; and
- Class 1 Properties valued above \$25M: 1.3%.

For co-ops and condos (“Class 2 Properties”), the threshold values subject to tax, and the surcharge rates, change over time, due to an adjustment in the valuation methodology. Specifically:

- For fiscal years 2026-27, and 2027-28, Class 2 Properties valued at \$1M or more are subject to tax, at the following rates:
 - Class 2 Properties valued at \$1M to \$3M: 4%;
 - Class 2 Properties valued above \$3M to \$5M: 5.25%; and
 - Class 2 Properties valued above \$5M: 6.5%.
- Beginning in fiscal year 2028-29, the threshold values and surcharge rates applicable to Class 2 Properties adjust to match those of Class 1 Properties, as follows:
 - Class 2 Properties valued at \$5M to \$15M: 0.8%;
 - Class 2 Properties valued above \$15M to \$25M: 1.05%; and
 - Class 2 Properties valued above \$25M: 1.3%.

For purposes of computing the tax, the value of each property is based on the NYC Department of Finance’s assessed market valuation. Note that the Department of Finance does not currently value condos and co-ops using comparable sales; instead, it values them as if they were income-producing rental properties. This methodology results in market values that are dramatically lower than what those units would actually sell for. To account for this discrepancy, Phase 1 uses lower thresholds and higher surcharge rates for condos and co-ops. Beginning in 2028, however, the Department of Finance will value co-ops and condos according to comparable sales prices for purposes of computing this tax. Accordingly, beginning in 2028 (when the market value calculation of Class 2 Properties changes), the threshold values of Class 2 Properties subject to tax will increase, and surcharge rates for Class 2 Properties will decrease.

As an example, consider an owner of a second-home condo (a Class 2 Property) in Manhattan with a true market value of \$10 million. Under the NYC Department of Finance’s current assessment methodology, that condo might carry an assessed market value of only \$2 million. Because the assessed market value falls within the \$1 million to \$3 million bracket, the owner would owe an annual surcharge of 4% of \$2 million, or \$80,000, for fiscal years 2026-27 and 2027-28.

On the other hand, consider a second-home co-op with a true market value of \$4 million. Although \$4 million would exceed the \$1 million threshold if taken at face value, the NYC Department of Finance’s assessed market value for that co-op might only be \$800,000. Because the assessed market value falls below the \$1 million threshold, no tax would be owed for fiscal years 2026-27 and 2027-28.

The Price of a NYC Address Just Went Up: Understanding the New Pied-à-Terre Tax

By contrast, consider a townhouse (a Class 1 Property) with a true market value of \$8 million. Because Class 1 Properties are valued using comparable sales, the full \$8 million market value applies. That market value falls within the \$5 million to \$15 million bracket, resulting in an annual surcharge of 0.8% of \$8 million, or \$64,000.

Assessed property values for NYC can be found here: <https://www.nyc.gov/site/finance/property/property-assessments.page>.

There are a few scenarios where this tax would not apply. These exemptions include:

- If the property is the primary residence of at least one owner;
- If the property is the primary residence of an immediate family member of the owner (a spouse, child, sibling, parent, grandparent, or grandchild);
- If the property is occupied by a primary-resident tenant under a bona fide lease of at least one year, negotiated in an arm's-length transaction; or
- If the property is a new construction without a certificate of occupancy.

If not extended, this new law is scheduled to sunset on June 30, 2031.

We continue to track this legislation closely and will await regulatory guidance before reaching definitive conclusions as to its application and recommended strategic next steps, particularly with respect to property ownership through LLCs, partnerships and trusts. Until then, please do not hesitate to contact us with any questions.

If you have any questions regarding this client alert, please contact the following attorneys or the Willkie attorney with whom you regularly work.

Ani Hovanessian

212 728 8380
ahovanessian@willkie.com

Laura Belkner

212 728 8898
lbelkner@willkie.com

Sophia Shore

212 728 3284
sshore@willkie.com

WILLKIE

BRUSSELS CHICAGO DALLAS FRANKFURT HAMBURG HOUSTON LONDON LOS ANGELES
MILAN MUNICH NEW YORK PALO ALTO PARIS ROME SAN FRANCISCO WASHINGTON

Copyright © 2026 Willkie Farr & Gallagher LLP. All rights reserved.

This alert is provided for educational and informational purposes only and is not intended and should not be construed as legal advice, and it does not establish an attorney-client relationship in any form. This alert may be considered advertising under applicable state laws. Our website is: www.willkie.com.