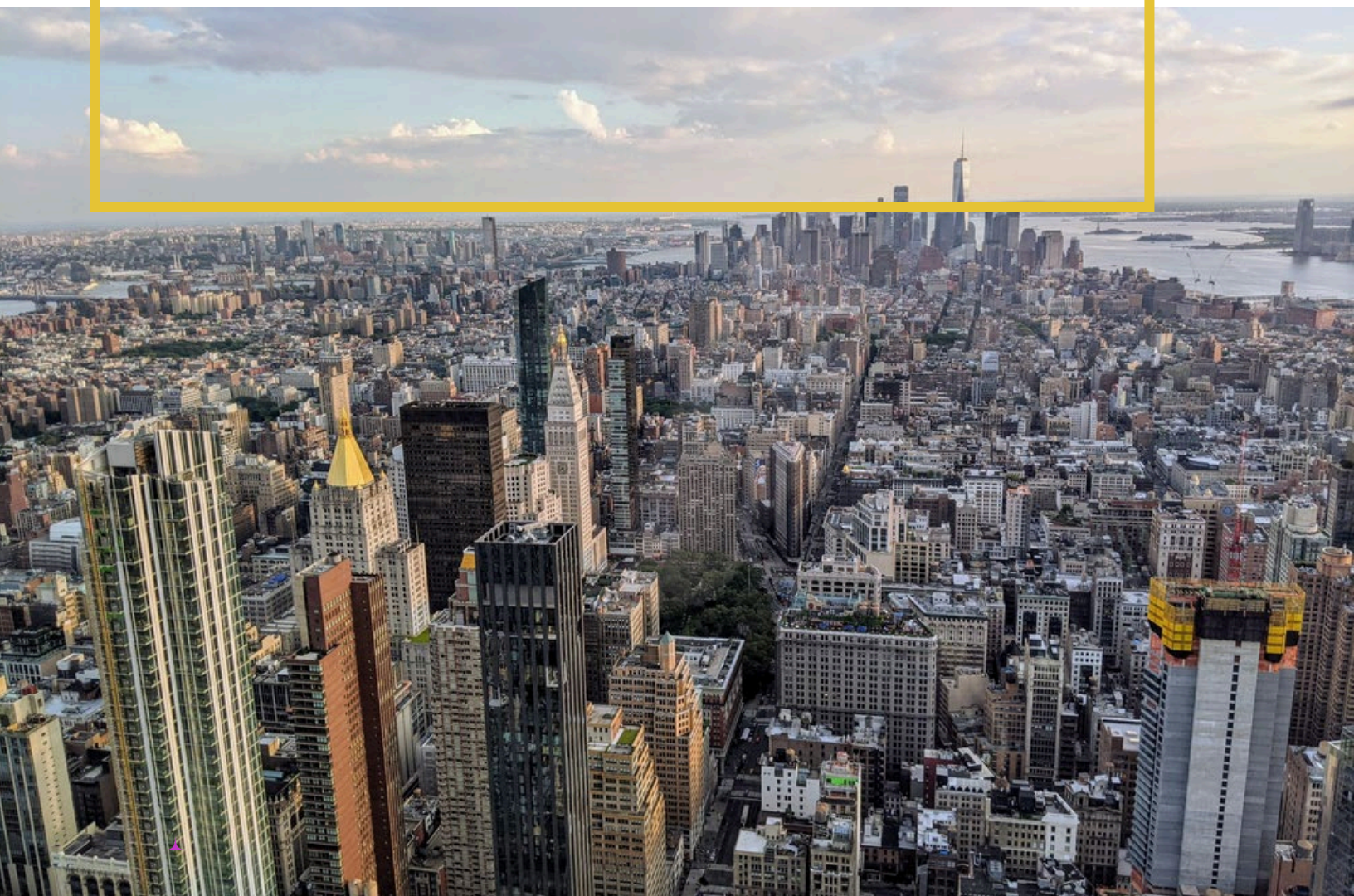
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The Pied-à-Terre Tax and Its Potential Revenues

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Introduction

A number of new taxes have been proposed this winter and spring to address the City's structural budget gap. They range from a surcharge on high-income Personal Income Tax filers, to a partial recapture of the federal tax benefits accruing to Pass-Through Entity Tax filers, to higher rates for the City's business income taxes, to higher real property transaction taxes on luxury properties at time of sale. One of the most likely, and possibly only, new tax revenue to be included in the FY 2027 State budget is a tax on pied-à-terre properties in New York City.

To date, details on the proposed tax have been hard to find, but Governor Hochul announced a revenue estimate of $500 million from 13,000 "second homes" with market value of at least $5 million. The lack of further information has spurred wide-ranging conjectures regarding which properties might be subject to the tax and how much they might pay.

In this Fiscal Note we use previous pied-à-terre tax proposals to estimate potential revenues and highlight areas of uncertainty. Based on the parameters chosen for the analysis, tax revenues are critically dependent on the share of targeted properties that are rented and on the behavioral responses to the tax. **We find that, before adjusting for these factors, our choice of tax rates and brackets could raise almost exactly $500 million from a little over 11,200 properties.** However, revenues could be reduced to between roughly $340 million and $380 million based on assumptions on exclusions for rented units and behavioral changes following the imposition of the tax.

Beyond the tax rates, the precision of the estimates is limited by the many unknowns regarding the tax, how it will be applied, and the properties and owners that will be subject to it. The most relevant are: the share of properties owned and occupied by primary residents (or their immediate relatives), the share of properties that are rented to primary residents, the share of cooperative and condominium units that might be appraised at less than $5 million, and how the tax might apply to two- and three-family residences. To assess the reliability of revenue forecasts, the City's Department of Finance and Office of Management and Budget will need to release detailed assumptions on these points. Behavioral changes will only become evident over time and will hinge on the details of the tax and its exemption, but they could be significant.

This Fiscal Note also summarizes questions and challenges from legal and administrative perspectives. For instance, it is unknown if the tax will be characterized as a property or a personal tax, or how it will be enforced. The administrative issues appear complex and will impact the stability of tax revenues. To close the City's budget gap, collections will need to start in FY 2027 but it is unclear when, or how, the implementation will be affected by legal challenges.

Legal Framework

The estimates this Fiscal Note provides are based on the text of New York State Senate Bill S44B, earlier versions of the bill, and the 2014 proposal from the Fiscal Policy Institute. The general contours of the legislation appear to be broadly consistent with what the Governor is proposing.

The Senate bill would authorize New York City to impose an additional tax on certain high-value, non-primary residences. The bill targets three types of real property:

1. One-, two-, and three-family residences with a five-year average market value of $5 million or more. The NYC Department of Finance (DOF) estimates the market value of these properties based on comparable sales, and the legislation uses the DOF estimates for the calculation of the 5-year average. The additional tax on these residences would range between 0.5% and 4% of the (five-year average) DOF market value above $5 million.

2. Dwelling units held in condominium or cooperative form with DOF assessed value of $300,000 or more. The use of assessed values is necessary because DOF cannot, by statute, value condominiums and cooperatives using comparable sales. Instead, the property tax law requires that they are valued as if they were rental buildings. For this reason, assessed values are a rough proxy for true market values. Condominium units are assessed individually by DOF. Instead, cooperative apartment corporations only have one assessment, and the legislation requires its allocation to tenant-stockholders in proportion to their shares of the corporation's stock. The prior legislation provides that the corporation itself would charge the additional tax to the individual tenant-stockholders. The additional tax on condominium and cooperative dwelling units would range between 10% and 13.5% of the DOF assessed value above $300,000. The use of assessed values is necessitated by the statutory restrictions on how DOF values cooperative and condominium units (see Fiscal Note 2-2024 on this topic).

The bill exempts the following categories:

i) The primary residence of at least one owner.

ii) The primary residence of a parent or child of at least one owner.

iii) Cooperative and condominium units that are appraised at less than $5 million in the previous three years.

iv) Properties and dwelling units that are rented to a NYC primary resident.

The revenue estimates use a combination of tax brackets from earlier proposals and brackets used in earlier estimates from this Office.

Sample Selection

The estimation relies on several administrative datasets maintained by NYC DOF:

i) The Property Tax System (PTS) Property Master files for fiscal years 2022 through 2026, which contain parcel-level information on building class, tax class, full market value, assessed value (both actual and transitional), property status, and ownership.

ii) The Exemption Detail files, which identify properties receiving specific tax exemptions, including School Tax Relief (STAR), veterans', senior citizens', and disabled homeowners' exemptions—each of which requires owner-occupancy and therefore signals primary residency.

iii) Abatement records, including data on the Condo/Co-op Abatement. Receipt of the condo or co-op tax abatement indicates the unit is, in general, an owner-occupied primary residence.

iv) Cooperative unit-level data, which provides share allocations at the apartment level, enabling the calculation of per-unit assessed values for cooperatives. These data were last updated in FY 2019.

The estimation proceeds in three stages. First, we identify the universe of potentially taxable properties and compute a gross (unadjusted) revenue estimate by applying the bill's graduated rate schedule. Second, we adjust for the share of qualifying properties that are likely rented, using borough- and property-type-specific rental rates from the 2023 NYC Housing and Vacancy Survey (HVS). Third, we apply a behavioral adjustment informed by the experience of Vancouver's Empty Homes Tax.

One-to-Three Family Residences

We began by extracting properties with building classes beginning with "A" (one-family dwellings), "B" (two-family dwellings), and "C0" (three-family dwellings) from the Property Master files for fiscal years 2022 through 2026. We then computed the average DOF market value across the available fiscal years for each property. Properties were retained only if they had data for all five fiscal years and if their average market value met or exceeded the $5 million threshold specified in the bill.

To approximate which properties are not primary residences, we merged the exemption detail file and eliminated any property receiving a STAR exemption, veterans' exemption, disabled homeowners' exemption, or senior citizens' homeowner exemption. These exemptions require owner-occupancy, so their presence is a strong indicator that the property serves as a primary residence. Properties with any of these exemptions were excluded from the taxable universe.

To estimate with higher precision the property owners' primary residence, it is necessary to match property records to NYC Personal Income Tax (PIT) returns. DOF has the capacity to perform this match (and indeed already has, in the context of the property tax reform analysis) but tax returns are not available to our Office. The main limitation of using tax exemptions is that they are generally targeted toward lower-income homeowners, who are less likely to own high-value real estate. The income ceiling for the STAR exemption is $500,000 but it has been closed to new applicants since March 15, 2015 following the creation of an equivalent NYS income tax credit. Properties transition to the new tax credit when they are sold. Based on these considerations, there are likely fewer properties subject to the additional tax (more primary-resident owner-occupied properties) than those included in this analysis.

For each remaining property, we applied the rate schedule in Table 1. For example, a one-family dwelling with a market value of $12 million would owe $45,000 plus 1.5 percent of $2 million (the amount above $10 million), yielding a tax of $75,000.

Table 1. Tax Rate Schedule for One-to-Three Family Residences and Number of Properties Potentially Subject to Taxation

DOF Market Value Bracket	Tax Rate	Base Tax	Number of 1-Family	Number of 2-Family	Number of 3-Family
$5m - $6m	0.5%	$0	491	427	199
$6m - $10m	1.0%	$5,000	989	561	276
$10m - $15m	1.5%	$45,000	414	139	76
$15m - $20m	2.0%	$120,000	155	32	15
$20m - $25m	3.0%	$220,000	72	15	7
$25m +	4.0%	$370,000	93	7	8
Total			**2,214**	**1,181**	**581**

Sources: NYC DOF, Office of the NYC Comptroller analysis

The taxation of two- and three-family properties and mixed-use properties (typically, properties with a retail space) presents challenges. This is because it is not clear how to allocate the portion of market value attributable to commercial activities or to component units.

For instance, imagine a pied-à-terre in a two-family building with a DOF market value of $6 million and a rented income unit. Allocating the DOF market value equally across units would exempt the pied-à-terre from taxation. Simply distributing the value uniformly across units would exempt two-family properties in the first two tax brackets and three-family properties in the first three brackets. Less than 200 two-family (16% of the 1,181 in Table 1) and 30 three-family buildings (5% of the 581 in Table 1) would potentially remain subject to taxation.

Alternative allocations could capitalize the rent from the income units (which would be a new DOF valuation practice), distribute the DOF market value by square footage (if available to DOF or certified by the owner), or allow owners to submit separate appraisals of the pied-à-terre portion of the building.

Condominiums and Cooperatives

We selected all condominium units from the FY2026 Property Master file with building classes R1, R2, R3, R4, or R6. For each unit, we determined the applicable assessed value based on the property's assessment status. Units with an applicable assessed value of $300,000 or more were retained. The assessed value used in the analysis is the assessed value used in the property tax bill (in general, the lower of the actual assessed value net of actual exemptions and the transitional assessed value net of transitional exemptions).

We removed condominium units exhibiting indicators of primary residency through two screens. First, we eliminated units receiving any of the residency-requiring exemptions (STAR, veterans', senior citizens', or disabled homeowners'). Second, we eliminated units receiving the Cooperative and Condominium Property Tax Abatement (condo/co-op abatement), which, in general, is available only to owner-occupied primary residences. Eligibility for the Condo/Co-op abatements is not based on income, and it represents a much more comprehensive universe of primary residents than the exemptions. However, LLCs are not considered primary residents and, if an apartment is owned by an LLC as is often the case for luxury housing, it is not eligible for the condo/co-op abatement.[1]

[1] We retained in the sample condominium units in buildings receiving other tax exemptions or abatements that are incompatible with eligibility for the condo/co-op abatement (421-a/b/g, 420-c, or J-51). Although some luxury condominium buildings have in recent past received these tax exemptions (as it was famously the case for One57), the sample includes 109 properties (or cooperative units) with receiving these tax benefits and it is not meaningfully inflated by our selection choice.

Cooperatives presented a unique estimation challenge because assessed values in the Property Tax System are recorded at the building level, not the individual unit level. To derive per-unit assessed values, we obtained unit-level shareholders' stock data from the Real Property Assessment Database cooperative unit files. The latest available information dates to FY 2019. We computed each unit's assessed value based on the share of the corporation's total stock attributed to each unit. To be included in the sample, a unit must have at least one bedroom and must not be commercial (shares of commercial units are not reallocated to the residential units).

We then compared the total number of units reported in the co-op unit file against the unit count in the Property Master file. When the two counts diverged by more than 10 percent, we used a simpler approach: dividing the building's assessed value equally among the number of units reported in the Property Master file. This hybrid approach balances the precision of share-based allocation against the risk of relying on incomplete unit-level data.

The sample is composed of units with a per-unit assessed value of $300,000 or more that did not receive an exemption requiring primary-residence status, were not flagged as primary residences in the exemption detail file and did not receive the condo/coop abatement.

The tax rate schedule for condominiums and cooperative dwelling units is reported in Table 2.

Table 2. Tax Rate Schedule for Condominiums and Cooperative Dwelling Units and Number of Units Potentially Subject to Taxation

DOF Assessed Value Bracket	Tax Rate	Base Tax	Number of Condominiums	Number of Cooperative Units
$300,000 - $400,000	10.0%	$0	5,672	1,052
$400,001 - $500,000	10.5%	$10,000	2,822	418
$500,001 - $600,000	11.0%	$20,500	1,672	246
$600,001 - $700,000	11.5%	$31,500	987	93
$700,001 - $800,000	12.0%	$43,000	646	81
$800,001 - $900,000	12.5%	$55,000	391	36
$900,001 - $1M	13.0%	$67,500	231	11
$1m +	13.5%	$80,500	733	40
Total			**13,154**	**1,977**

Sources: NYC DOF, Office of the NYC Comptroller analysis

Descriptive Statistics

As shown in Table 3, the sample of properties is heavily skewed toward Manhattan (17,125 properties out of 19,107). We also calculate "notional" tax amounts, which represent tax amounts before adjustments for condominium and cooperative units with market value below $5 million, and for units that may be rented. Notional revenues are skewed toward condominiums ($319.8 million out of a total of $575.5 million). The second highest category of notional revenues comes from one-family properties ($165.1 million).

Table 3. Geographical Distribution and Notional Tax Amount

Property Type	Manhattan Number / % of Citywide Total	Brooklyn Number / % of Citywide Total	Citywide Number / % of Citywide Total	Citywide Notional Tax Amount
One-Family	1,501 / 65.7%	651 / 1.1%	2,214 / 0.7%	$165.1m
Two- & Three-Family	1,037 / 31.3%	724 / 0.6%	1,762 / 0.5%	$58.7m
Condominiums	12,615 / 11.0%	527 / 0.8%	13,154 / 5.3%	$319.8m
Cooperative Units	1,972 / 1.1%	Less than 10	1,977 / 0.5%	$32.0m
Total	**17,125 / 5.6%**	**1,907 / 0.6%**	**19,107 / 1.5%**	**$575.5m**

Sources: NYC DOF, Office of the NYC Comptroller analysis

Market Value Adjustment for Condominiums and Cooperatives

DOF is statutorily required to assess condominiums and cooperatives based on the hypothetical income they would produce if they were rental buildings. Therefore, the assessed value is a poor proxy for their true market value and units that are likely to be appraised at less than $5 million need to be removed from the sample. We derived market value from arms-length transactions in the past three years. Units that did not transact were assigned the average price per square foot from sales within the building. If transactions were not available within a building, we used the average price per

square foot over larger geographies.2 Table 4 shows that properties with estimated market value below $5 million are concentrated at the bottom of the assessed value brackets.

It is possible that our methodology, which is based on medians, imputes market values that are too low and would therefore exclude too many properties from taxation. As shown in Table 4, conditional on observing a sale, the share of units with value below $5 million fades quickly for assessed values above $600,000. The decay is not as fast for the imputed values.

In either case, it appears plausible that around half of all condominiums and cooperatives with assessed values above $300,000 could be appraised at less than $5 million. Because the mismatch between assessed and market value is more prevalent among lower assessments, the revenue impact is less than proportional.

The disconnect between assessed value and market values also means that similarly appraised properties will be subject to different tax amounts, depending on what assessed value bracket they fall in.

Table 4. Share of Condominium and Cooperative Units with Market Value Below $5 million

DOF Assessed Value Bracket	% with Sale Price Below $5m	% with Imputed Value Below $5m	% Below $5m if Sale Price Observed	% Below $5m if Value Imputed
$300,000 - $400,000	13.3%	67.6%	74.6%	82.4%
$400,001 - $500,000	8.3%	47.3%	46.3%	57.6%
$500,001 - $600,000	4.0%	27.5%	22.9%	33.2%
$600,001 - $700,000	2.0%	18.1%	9.7%	22.9%
$700,001 - $800,000	0.8%	12.4%	4.7%	15.0%
$800,001 - $900,000	0.7%	7.0%	3.3%	8.9%
$900,001 - $1M	0.0%	2.9%	0.0%	3.6%
$1m +	0.3%	1.8%	1.2%	2.3%
Total	**8.4%**	**45.9%**	**45.9%**	**56.2%**

Source: NYC DOF, Office of the NYC Comptroller analysis

[2] The geographies are selected in the following order: neighborhood tabulation area, community district, and borough. Most of the condominium and cooperative units in the sample are valued based on actual sale values (18.4%) or sales in the same building (75.1%). Only a handful of properties are assigned a value based on geographies larger than neighborhood tabulation areas.

Recognizing that our imputed sales value may underestimate market values, we excluded from the tax base all condominiums and cooperative units with observed sale price below $5 million and those with imputed value less than $5 million but only if their assessed value is below $600,000.

The results are presented in Table 5, which shows that about 50% of the condominiums and cooperative units are excluded from the revenue estimate, with a revenue loss relative to the notional amount of 18%: from $351.8 million to $287.0 million. The loss in taxable units and revenues is comparatively larger among cooperatives.

Table 5. Market Value-Adjusted Tax Revenues

Sample	Condominiums		Cooperative Units		Total	
	Number	Revenue	Number	Revenue	Number	Revenue
Notional	13,154	$319.8m	1,977	$32.0m	15,131	$351.8m
Adjusted	6,735	$267.9m	515	$19.1m	7,250	$287.0m
% Change	**-49%**	**-16%**	**-74%**	**-40%**	**-52%**	**-18%**

Source: NYC DOF, Office of the NYC Comptroller analysis

Overall, the adjustment for market values, reduces the number of properties potentially subject to the tax from 19,107 to 11,226.

Rented Units and Behavioral Changes

Notional revenues from the properties identified in Tables 1 and 2 are an upper bound because some of the properties are already rented and because of behavioral changes in response to the tax. In this section, we present evidence on both issues.

Rental Adjustment

The luxury rental market in NYC has grown robustly in recent years and many luxury condominiums have been rented. One such condo (Unit 14 at The Benson, 1045 Madison Avenue) was purchased for $14.5 million in 2022 (our imputed value is $14.1 million). The notional tax amount based on the FY 2026 assessed value is $29,224. However, based on news reports, the

condo has been rented out since 2023, recently leasing year-round for $95,000 (per month). Similar examples are easily found in public listings and a "shadow inventory" of rentals is likely available for rent through private brokerages.

Most of the properties identified in Tables 1 and 2 are in Manhattan and Brooklyn. Using the 2023 NYC Housing and Vacancy Survey (NYCHVS), we estimated the proportion of units in these boroughs that are occupied by renters or vacant but available for rent. The information in NYCHVS does not distinguish properties by value and the estimates are therefore broad averages by property type. Table 6 shows that, in general, a majority of units in two- and three-family homes, and condominiums are rented. The proportion is significantly lower for one-family and cooperatives.

Table 6. Manhattan and Brooklyn Residential Units by Tenure and Property Type

Property Type	Units Vacant Not Available			Units Rented or Vacant Available for Rent			Units Owner-Occupied or Vacant Available for Sale		
	MN	BK	All	MN	BK	All	MN	BK	All
One-Family	21%	3%	4%	36%	19%	20%	43%	78%	76%
Two-Family	29%	6%	7%	51%	44%	44%	20%	50%	49%
Three-Family	24%	8%	8%	76%	65%	65%	0%	28%	26%
Condominiums	15%	5%	11%	51%	53%	52%	34%	42%	36%
Cooperatives	12%	5%	10%	23%	44%	29%	65%	51%	61%
All types	**11%**	**5%**	**5%**	**42%**	**44%**	**44%**	**47%**	**51%**	**51%**

Source: NYCHVS 2023, Office of the NYC Comptroller analysis

Applying these results to the revenue estimates is not straightforward. On the one hand, the sample in Tables 1 and 2 already eliminates, to a varying degree, properties occupied by owners that are primary residents. On the other, the overall rental share is not representative of the luxury market.

We decided to parametrize the revenue loss for one-family, condominiums, and cooperative units due to properties being rented out at 20% based on the lowest rental shares in Table 6. If more valuable properties are less likely to be rented out, the revenue loss could be less than proportional. We apply a range of between 10% and 20% for this adjustment.

Two- and three-family properties, are much more likely to have their units rented within them. Assuming there is one pied-à-terre in the building, the property's DOF market value would need to

be apportioned. As remarked above, this could remove many properties from taxation. Therefore, we decided to discount revenues by the share of vacant units in Manhattan (29% for two-family homes and 24% for three-family homes).

Behavioral Adjustment

The increase in taxation due to the pied-à-terre tax can be significant. Table 7 shows median tax amounts before rental adjustment and the ratio of pied-à-terre to FY 2026 property tax levy. We only include one-family homes and condominiums because they are the largest categories and because we don't know how the property tax is distributed to cooperatives' shareholders. While the final bracket and rate schedules will differ from the ones used in this Fiscal Note, the tax increases needed to generate $500 million in revenues appear significant.

Table 7. Median Tax Amounts and % Tax Increase

	One-Family			Condominiums	
DOF Market Value Bracket	Pied-à-Terre Tax	Ratio to Property Tax	DOF Asssesed Value Bracket	Pied-à-Terre Tax	Ratio to Property Tax
$5m - $6m	$2,356	9.2%	**$300,000 - $400,000**	$5,289	12%
$6m - $10m	$18,066	42.3%	**$400,001 - $500,000**	$15,597	28%
$10m - $15m	$74,897	89.0%	**$500,001 - $600,000**	$25,114	38%
$15m - $20m	$153,476	133.8%	**$600,001 - $700,000**	$36,824	47%
$20m - $25m	$280,729	158.2%	**$700,001 - $800,000**	$48,322	53%
$25m +	$601,864	261.1%	**$800,001 - $900,000**	$60,453	58%
			$900,001 - $1M	$73,806	63%
			$1m +	$117,709	75%
Total	**$23,389**	**50.0%**	**2,214**	**$27,156**	**40%**

Source: NYC DOF, Office of the NYC Comptroller analysis

To account for the likelihood that some property owners will change their behavior in response to the tax, by renting, selling, or occupying their units, we looked at Vancouver's experience with its Empty Homes Tax (EHT). EHT was implemented in 2017 at a rate of 1% of assessed value, subsequently increased to 1.25% in 2020 and 3% in 2021. The EHT applies to residential properties left vacant for more than six months per year.

As shown in Table 8, since its implementation, Vancouver has experienced a sustained decline in the number of vacant properties. Between 2017 and 2024, their number declined by 61.4%. After a large drop in the first year of implementation, the annual rate of decline has stabilized around 13%. EHT was analyzed formally by Caracciolo and Miglino (2024) "Ripple Effects: The Impact of an Empty Home Tax on the Housing Market," C.D. Howe Institute. The study concludes that EHT was responsible for a 21% reduction in the number of empty homes.

Table 8. Vancouver's Experience Data

Year	Total Units	Vacant Units	Vacant Units Rate of Decline (CAGR)
2017	186,038	2,538	-
2018	189,162	1,989	21.6%
2019	192,117	1,893	13.6%
2020	195,012	1,627	13.8%
2021	196,441	1,398	13.9%
2022	198,969	1,126	15.0%
2023	200,373	1,073	13.4%
2024	201,739	979	12.7%
2017-2024 % Change	**8.4%**	**-61.4%**	

Source: City of Vancouver, Empty Homes Tax Annual Reports, 2017–2024

While it is not possible to predict the exact extent of behavioral changes, it is also unreasonable to assume there will be none. The behavioral response may differ by property type, value tier, and the specific rate structure of the proposed tax versus Vancouver's EHT. Nevertheless, the Vancouver experience provides the most directly comparable empirical benchmark available for a vacancy-type tax on residential properties in a major urban housing market.

Since April 2025, local authorities in England have been able to charge a premium of up to 100% of their council tax on second homes. Council taxes appear relatively small compared to the existing property tax and potential pied-à-terre charges.[3] As reported by the Ministry of Housing, Communities and Local Government, roughly 70% of the authorities charged a premium in 2025. As of October 2025 (six months into the start of the premium), the number of dwellings reported

[3] The average "Band D" council tax for 2026-2027 is £2,392, as reported by the UK government. This is a reference category with taxes ranging between roughly 2/3 and twice the reference amount, depending on their 1991 value (see here for a primer).

as second homes for the purpose of the council tax decreased by 4.3% from its level in 2024. The overall figure may mask steeper declines in the authorities that imposed the premium. It is also possible that the imposition of the second home premium initiated a review of administrative records that affected the number of second homes reported. The review could have increased the number of reported second homes.[4]

Based on the data, a 10% reduction in expected revenues appears prudent, although possibly unfolding over the first and second year, based on the taxable status date of the properties. The revenue loss from behavioral changes could compound over time.

The estimates in this Fiscal Note are static and do not account for potential effects on property values, construction activity, or the broader housing market. To the extent that the tax depresses property values, future revenues may be affected beyond what is estimated here. The repercussions on the property tax itself should be limited due to the assessed value caps in place for one-to-three family homes, and because condominiums and cooperatives are not valued based on comparable sales. The impact on real property transactions could be initially positive if there is a wave of sales to avoid the tax. Broad effects on development or rents (as surveyed by Kilby (2025) "How Cities and States can use Vacant Property Taxes to Spur Housing Development," Institute for State and Local Governance, CUNY) have generally not been significant. However, concentrated effects on the luxury market could be felt more deeply, as suggested by London's experience.

Summary of Revenue Estimates

The results of the analysis are summarized in Table 9. The table shows that, even after adjusting for the disconnect between assessed and market values for condominiums and cooperative units, the tax could raise the targeted $500 million. This, however, does not take into account the uncertainty regarding how many of the properties are rented and how behavior will change in response to the tax. If our parameters are plausible, the tax could end up raising far less.

The rental adjustment is an area where confidential tax data matched to property information could provide a much clearer picture of the revenue adjustment. As to the extent of the behavioral change, we used an estimate based on the historical experience of Vancouver's tax on empty

[4] Such could be the case in Westminster, where the number of second homes appears to have increased significantly between 2024 and 2025.

homes. However, only historical data following implementation in New York City will be able to reveal the impact of the tax.

Table 9. Revenues After Market Value, Rental, and Behavioral Adjustment

Property Type	Notional Revenues	Market Value Adjustment	Rental Adjustment	Behavioral Change	Net Amount
One-Family	$165.1m	-	-$16.5m to -$33.0m	-$13.2 to -$14.9m	$118.9m to $133.7m
Two- & Three-Family	$58.7m	-	-$42.7m	-$1.6m	$14.4m
Condominiums	$319.8m	-$52.0m	-$26.8m to $53.6m	-$21.4m to -$24.1m	$192.8m to $217.0m
Cooperative Units	$32.0m	-$12.8m	-$1.9m to -$3.8m	-$1.5m to -$1.7m	$13.8m to $15.5m
Total	**$575.5m**	**-$64.8m**	**-$87.9m to -$133.2m**	**-$37.8m to -$42.3m**	**$339.9m to $380.6m**

Source: Office of the NYC Comptroller analysis

Some Legal[5] and Administrative Considerations

A foundational question is whether the additional tax is a property tax. If so, it would be subject to the Constitutional tax limitation of 2.5% of the 5-year average value of taxable real estate, and non-payment would create a lien against the property. Delinquent payments would accrue the same interest rate of property tax delinquencies. Enforcement could take place through the lien sale program (currently suspended and under review by the Mayor) or through a land bank starting in 2029, as provided by recently passed City Council legislation. It is not known if the taxable status will be determined at the same date as the rest of the properties (January 5), and if the tax will be included in the tentative and final assessment rolls.

An additional tax on luxury second homes would most likely leverage the billing and collection infrastructure of the City's property tax. If the pied-à-terre tax is a property tax, it would be

[5] This is not a comprehensive list of legal considerations. A longer summary is available in Williams B.M. (2026) The Pied-à-Terre Tax is Back: What the Bills Say, What Changed, and What Albany Still Has to Fix, Rosenberg & Estis, P.C.

retained by the State Comptroller for debt service in the General Debt Service Fund before being released to the City's General Fund. If the additional tax is not a property tax but collected through property tax bills, it is unclear how the City would segregate the revenue streams.

To identify taxpayers, NYC DOF could match the City's Personal Income Tax returns to property records to determine whether it is used as a primary residence by the owner, a close relative, or a renter. DOF conducted a similar exercise in support of the work of the Advisory Commission on Property Tax Reform.

It is unclear how DOF will treat properties owned by LLCs and trusts. In general, these owners are not considered residents. However, this does not mean that the properties are not used as primary residences. For instance, based on publicly available information, Mayor Bloomberg established his primary residence in two adjacent buildings on the Upper East Side, one owned by an LLC, and the other a cooperative apartment corporation. It may be possible for some LLC owners to rent to themselves and avoid the tax.

The Senate bill assumes that DOF bills cooperative apartment corporations, which pass along and collect the tax from the shareholders. The feasibility of this mechanism should be carefully evaluated. The treatment of two- and three-family homes is also not clear. As remarked earlier their market value would presumably need to be apportioned to the individual units based on administrative records and, once a unit is identified as vacant, charged with the additional tax.

It is plausible that NYC DOF will send communications to a set of potential taxpayers, who would then be required to attest to their (or their relatives') primary residence status, or prove that the property is rented to a primary resident. After communication to the owners and the receipt of attestations or appeals, DOF could include the amount of the additional tax in the property tax bills. The earliest the billing could happen is likely November 2026. The tax could be collected in installments following the property tax calendar (quarterly or semi-annually, the latter for properties with assessed value above $250,000).

Attestations would need to be audited, most likely by a new unit within DOF. Leases would need to be evaluated against market information, assuming a set of comparable rents is available. It is not known if exemptions would apply to properties leased for less than year-round or whether apartments vacant but available to rent would be exempt. The law would also need to specify the tax treatment of temporary vacancy periods (for say, renovation or between tenants).

At least for condominiums and cooperatives, owners should be allowed to submit appraisals of the market value of their properties. DOF would need to evaluate these appraisals as well.

Lapses in DOF's auditing capacity and accuracy, would reduce revenues and multiply taxpayers' appeals and lawsuits. If the tax is a property tax, additional capacity might also be needed at the

City's Tax Commission and the Law department's certiorari practice. If not a property tax, the City's Tax Appeals Tribunal would presumably be involved. The tribunal is well-known for being plagued by severe and chronic understaffing.

If the additional tax is a property tax, its value would need to be factored in the City Council's tax fixing resolution, which determines the tax rate necessary to raise the amount of property tax consistent with the adopted budget's forecast for the upcoming year. The legal framework of the resolution would need to be adapted so as to not affect the tax rate calculations and amount of the property tax levy outside of the pied-à-terre tax.

Conclusions

The pied-à-terre tax has the potential to generate revenues in the range proposed by the Governor, but the quality of the underlying data and assumptions play a key role. **Applying the rate schedule embedded in earlier legislation to the universe of properties that are most plausibly non-primary residences yields a notional amount of approximately $510 million. The estimate falls further—to between $340 million and $380 million—after accounting for properties that could be already rented to primary residents and for the behavioral changes that have followed taxes imposed elsewhere**. Higher rate structures could increase revenues toward target at the cost of potentially larger behavioral effects.

The principal sources of uncertainty are not analytical but informational. The share of high-value units rented year-round to primary residents, the share of condominiums and cooperatives whose true market value falls below the $5 million threshold, the treatment of LLC and trust ownership structures, and the treatment of two- and three-family buildings will all be settled by administrative determinations that have yet to be made. Each of these decisions can shift collections by tens of millions of dollars. Behavioral responses to the tax—conversions to rental, primary-residence claims by relatives, sales, and possible legal challenges—introduce further variability that will only become observable after implementation.

For these reasons, the additional tax should be incorporated into the City's financial plan with a prudent revenue assumption, and the Department of Finance and the Office of Management and Budget should publish the underlying assumptions on rental shares, market value cutoffs, and ownership treatment that drive their own estimates. A transparent baseline will make it possible to monitor early collections against expectations and to adjust the City's budgeting and audit capacity as experience with the new tax accumulates.

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