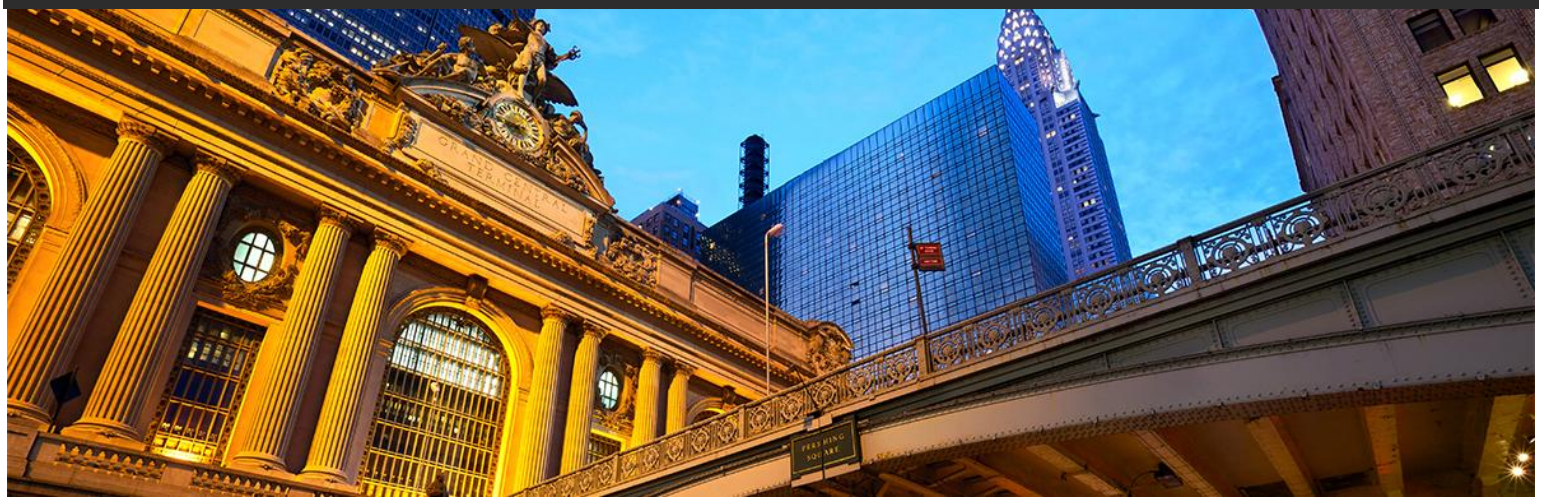
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July 2026

NYC DOF Finalizes Rules and Sends Notices Implementing the New Pied-à-Terre Tax

In our June 9, 2026, blog post, What Taxpayers Need to Know About the Proposed NYC Pied-à-Terre Tax Rules, we discussed the recently enacted New York City real property tax surcharge on residential properties that do not serve as a primary residence (the Pied-à-Terre Tax). Since that publication, several noteworthy developments have occurred.

The New York City Pied-à-Terre Tax

The Pied-à-Terre Tax is an annual surcharge imposed on the following types of New York City residential properties if they do not serve as a primary residence:

- One-, two-, and three-family homes with a New York City Department of Finance (DOF) property tax valuation exceeding $5 million; and
- Cooperative and condominium residences with a DOF property tax valuation exceeding $1 million, which the DOF states is generally comparable under the current assessment system to a single-family home valued at $5 million or more.

Beginning July 1, 2028, the tax will apply to single-family homes, cooperatives, and condominiums valued at $5 million or more under the new DOF assessed-value system.

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The tax generally does not apply if the property serves as the primary residence of:

- The owner;
- A tenant;
- An immediate family member of the owner; or
- One or more individuals who collectively hold a majority interest in an entity that owns the property.

The tax applies to New York City fiscal years beginning on or after July 1, 2026, and is currently scheduled to expire on June 30, 2031, unless renewed. For properties subject to the surcharge, the first charges relating to the 2026-27 property tax year will appear on the property tax bill due Jan. 1, 2027.

Applicable Tax Rates

The amount of the Pied-à-Terre Tax depends on the property's value as determined under the applicable DOF valuation methodology. For the period beginning July 1, 2026, and ending June 30, 2028, the surcharge will be calculated using the property's valuation under the current DOF assessment methodology. Beginning July 1, 2028, the surcharge will instead be based on the property's value under the new DOF assessed-value system.

The surcharge is imposed at progressive rates that increase as property value rises. The annual surcharge ranges from 0.8%-4% of the assessed value of one-, two-, and three-family homes (starting with properties having an assessed value of $5 million) and 4%-6.5% of the assessed value of condominium and cooperative units (starting with properties having an assessed value of $1 million). As a result, the annual surcharge can be substantial. For example, a one-, two-, or three-family home with an assessed value of $5 million or a condo or cooperative unit with an assessed value of $1 million generally would be subject to an annual surcharge of $40,000 if no exemption is received.

For property tax years 2026-27 and 2027-28, the surcharge will generally apply as follows:

Property type	DOF market value	Surcharge rate (% of market value)
One-, two-, and three-family homes	$5 million or greater, but less than $15 million	0.8%
	$15 million or greater, but less than $25 million	1.05%
	$25 million or greater	1.3%

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Condominium and cooperative units	$1 million or greater, but less than $3 million	4.0%
	$3 million or greater, but less than $5 million	5.25%
	$5 million or greater	6.50%

Because the surcharge is imposed annually in addition to existing New York City real property taxes, owners of affected residences may wish to evaluate whether an exemption is available and, if not, take the surcharge into account when assessing the ongoing costs of ownership.

New Developments

On July 14, 2026, the DOF adopted final administrative rules for the NYC Pied-à-Terre Tax (officially, the Rule Relating to Surcharge on Certain Non-Primary Residences), which became effective the same day. The DOF also updated its website to provide guidance regarding the new tax (See Non-primary residence surcharge).

Under NYC DOF Rule § 62-06, the DOF is required to make an annual "initial determination" on whether a covered property is a primary residence of a covered owner. In making that determination, the DOF generally must treat the property as a primary residence (and thus not subject to the tax) if available records show that the property is identified as the covered owner's permanent home on a state or federal income tax return; qualifies for certain tax credits; or receives property-tax exemptions associated with primary residence occupancy, unless the agency has credible information indicating otherwise.

If the DOF cannot make an initial determination based on those objective indicators, it may consider additional evidence, including whether the owner occupied the property for a majority of days during the preceding calendar year and whether the owner identified the property as a permanent residence in documents previously submitted to the city.

On July 22, 2026, the DOF mailed notices to owners of New York City residential properties for which its records did not establish primary-residence status. The notices advise recipients that their properties may be subject to the Pied-à-Terre Tax unless they submit an exemption claim, together with supporting documentation, by Aug. 21, 2026 (or by Aug. 24, 2026, for cooperative units).

The notices provide a website link and personalized PIN through which exemption claims must be filed electronically. In effect, the notices require affected property owners to demonstrate that their property qualifies for a primary-residence exemption.

The DOF also shared a file entitled "Supplemental Market Value Roll July 2026," (See Property Assessments - DOF) which lists all one-, two-, and three-family homes and all cooperative and condominium properties in the city, as well as individual cooperative units in buildings where at least one unit may be subject to the surcharge. Following public inquiries, the DOF clarified that this list consists

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solely of information derived from the public assessment roll and that only property owners who actually received a mailed notice are required to take further action.

Exemption Requirements

As stated in the DOF notices, a property may qualify for an exemption if it serves as the primary residence of any of the following individuals:

- The owner of the unit;
- A tenant or subtenant;
- One or more individuals who collectively hold a majority interest in the limited liability company, corporation, or partnership that owns the unit;
- An immediate family member (spouse, child, sibling, parent, grandparent, or grandchild) of the owner or majority-interest holder; or
- The sole beneficiary or beneficiaries of a trust. For this purpose, the administrative rules provide that contingent or future interests in a trust's estate will not be considered in determining whether a person is the sole beneficiary of a trust.
- In the case of a residence held by an entity, primary residence by the entity's owner (or majority owners) will only be considered if the entity holds an undivided fee interest in such property (or holds all shares of stock in the cooperative corporation in case of a co-op unit).

For purposes of the exemption, the DOF states that a determination of primary residence will be based on documentation that may include: (i) a state or federal income tax return indicating that the property or co-op unit was the permanent home address of the owner, immediate family member, tenant, or subtenant; (ii) evidence that the owner, immediate family member, tenant, or subtenant received other tax credits or exemptions as a primary resident of the property or co-op unit; (iii) proof that the owner, immediate family member, tenant, or subtenant occupied the property or co-op unit for a majority of days during the immediately preceding calendar year; and (iv) other documents previously submitted to the city indicating that the property or co-op unit is the primary residence of the owner, immediate family member, tenant, or subtenant.

Notably, the DOF's guidance specifically identifies proof that the residence was occupied by the owner, immediate family member, tenant, or subtenant for a majority of days during the immediately preceding calendar year as a factor supporting primary-residence status. Accordingly, qualification for the exemption may depend not only on documentary evidence such as tax returns and identification records, but also on actual physical occupancy of the residence.

For properties owned through trusts or entities, establishing eligibility for the exemption generally will require demonstrating the identity of the relevant beneficiaries, owners, or majority owners and may require submission of the trust agreement, the entity's governing documents, affidavits regarding ownership, or other supporting documentation.

Review of Exemption Applications and Appeal Rights

After an exemption application is submitted, the DOF will review the information and supporting documentation provided by the property owner and determine whether the property qualifies for an exemption from the Pied-à-Terre Tax. If the DOF denies an exemption claim, the property owner may be able to challenge the determination through available administrative procedures and, where applicable,

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seek judicial review. In addition, taxpayers who pay the surcharge may have the ability to pursue a refund claim.

Because the Pied-à-Terre Tax is newly enacted and the related guidance continues to evolve, the procedures for challenging the denial of an exemption claim have not yet been fully developed in published guidance. Taxpayers whose exemption claims are denied should review any determination issued by the DOF and monitor applicable deadlines. They may also wish to consider available administrative and judicial remedies. Property owners filing exemption claims should consider retaining copies of all submissions and supporting documentation, which may become important if a determination is challenged administratively or in court. Additional guidance regarding appeal procedures and refund claims may be forthcoming.

Unresolved Issues for Trusts and Entities

For properties owned through trusts, partnerships, limited liability companies, and other entities, important questions remain unanswered, and the application of the exemption rules is less clear.

For example, it is unclear whether an exemption is available where:

- A trust owns the residence but has beneficiaries (other than contingent or future beneficiaries) in addition to the individual occupying the property as a primary residence;
- A grantor trust owns the residence and the primary-residence occupant is the grantor rather than a beneficiary;
- A trust owns the residence and the primary-residence occupant is a trustee who is neither a beneficiary nor a grantor; or
- The ownership structure involves multiple tiers of entities or complex economic and voting arrangements.

In particular, the administrative rules and published guidance do not address whether a residence held in a revocable grantor trust qualifies for the exemption when the primary-residence occupant is the grantor rather than a beneficiary of the trust. Because many New York residences are held in revocable grantor trusts for estate-planning purposes, clarification of this issue may help clarify requirements for taxpayers.

In addition, the DOF notices refer to an exemption for a "primary resident trustee." Neither the statute nor the published DOF guidance currently defines that term, creating additional uncertainty for trust-owned residences.

Similarly, where a residence is owned through a partnership, corporation, or limited liability company with complex ownership arrangements, demonstrating that the individual or individuals occupying the property as a primary residence collectively hold the requisite majority interest may prove difficult. Additional guidance from the DOF may help clarify how ownership interests should be measured and substantiated in these situations, including whether voting interests, economic interests, or both are relevant in determining majority ownership.

Takeaways

The DOF's July 2026 notices represent the first major implementation step in the administration of the Pied-à-Terre Tax. Property owners who received a DOF notice should determine whether the property qualifies for a primary-residence exemption and evaluate the documentation required to support the

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claim. Owners of properties held through trusts, partnerships, limited liability companies, and other entity structures may wish to pay particular attention to the unresolved interpretive issues and should consider seeking advice before submitting an exemption application.

Property owners should also note that the DOF's published guidance places emphasis on both documentary evidence and actual occupancy, including whether the residence was occupied for a majority of days during the immediately preceding calendar year.

Given the prevalence of revocable grantor trusts and family-owned entities in New York real estate ownership, additional guidance from the DOF regarding trust-owned residences, the meaning of "primary resident trustee," the availability of exemptions for grantor trusts, appeal procedures, and the determination of majority ownership interests may help provide clarity for taxpayers seeking to establish eligibility for an exemption.

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