



NEW YORK ENACTS NEW TAX SURCHARGE ON NON-PRIMARY RESIDENCES

June 17, 2026

New York State recently passed its 2026–2027 Budget Bill introducing a new surcharge on residential properties in New York City that are **not** used as the owner's primary residence. If you own a second home, investment property, or pied-à-terre in New York City, this new law could impact your property tax bill starting this summer.

Effective July 1, 2026, residential properties (houses, condos, co-ops, etc.) that do not qualify as a primary residence will be subject to a surcharge added directly to the owner's property tax bill. The surcharge is based on the market value of the property as determined by the New York State Department of Finance (DOF). The DOF is expected to begin sending notices to New York City property owners in July requiring them to provide evidence that the property is their primary residence or face the surcharge.

The DOF determines "primary residence" status annually. A property qualifies as an owner's primary residence if it is occupied as the owner's primary home, or as the primary home of an immediate family member, defined as a spouse, child, sibling, parent, grandparent, or grandchild. The DOF is directed to make the determination as to whether a property qualifies as a primary residence based on factors identified by the DOF including, but not limited to, whether the property was occupied by the owner or an immediate family member for a majority of days during the calendar year at issue. Section 1352(2) of Article 30-C provides a non-exhaustive list of potential documentation that may be required for establishing whether the residence is a primary residence, including, but not limited to, a certification that such property is a primary residence and New York state resident income tax returns.

The surcharge on non-primary residences in New York City depends on the type of property and is being rolled out in two phases. For Phase One (July 1, 2026 through June 30, 2028), single-family homes, condos, and co-ops will be taxed based on the property's market value at the following rates: 0% for property valued under \$5,000,000, 0.8% for property valued from \$5,000,000 to \$15,000,000, 1.05% for property valued from \$15,000,000 to \$25,000,000 and 1.3% for property valued over \$25,000,000. For Phase Two (beginning on July 1, 2028), the rate for condos and co-ops valued over \$25,000,000 will be 1.4%. All other residential buildings except hotels and motels will pay considerably higher rates at much lower market values.

Because the surcharge is based on the market value of the property, this surcharge will be particularly challenging for non-residents who hold significantly appreciated [is it significantly appreciated or highly valued - does the appreciation matter?] rental property in New York City as a significant portion of their total assets. In addition, the Tax Cuts and Jobs Act of 2017 capped the state and local tax (SALT) deduction at \$40,400 making it difficult for taxpayers who itemize deductions to deduct the surcharge amount on their federal income tax returns.

If you have any questions regarding this alert, please contact your Cummings & Lockwood private clients attorney.