

# NEW YORK STATE SAYS NO TO ANNUAL PIED-À-TERRE TAX, YES TO INCREASED REAL ESTATE TRANSFER TAXES

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New York City's public transportation system is old and in desperate need of significant renovation. The city has also attracted many high net worth individuals who purchase New York City residences but do not have significant presence to cause them to pay New York City income taxes. As part of New York State's annual budget process, serious consideration was given to an annual *pied-à-terre* tax on homes worth \$5 million or more that do not serve as the buyer's primary residence.

According to the New York Times, in 2017, New York City had 75,000 *pieds-à-terre* – up from 55,000 such units in 2014, according to the New York City Housing and Vacancy Survey. The share of vacant apartments that are classified as *pieds-à-terre* has held steady during that time at about 30%.<sup>1</sup>

Bloomberg reports that New York's powerful real estate industry succeeded in killing the *pied-à-terre* tax, which some considered "class warfare" against the rich and a measure likely to hurt already-slowing luxury sales.<sup>2</sup>

In its place were increased real estate transfer and mansion taxes, effective for sales on or after July 1, 2019. Note, however, that if a written purchase and sale agreement exists and was entered into on or before April 1, 2019, the transaction will still be taxed at the lower rates even if the closing occurs on or after July 1, 2019.

New York State transfer taxes (currently .4%) will increase by .25% (to .65%) for residential sales in excess of \$3 million. New York City transfer taxes remain unchanged.

The "old" mansion tax of 1% for residential sales of \$1 million or higher remains. However, there is a "new" additional graduated mansion tax ranging from .25% to 2.9%:

Sales Price	Additional Mansion Tax
\$2 to <\$3 million	.25%
\$3 to <\$5 million	.50%
\$5 to <\$10 million	1.25%
\$10 to <\$15 million	2.25%

<sup>1</sup> ["Lawmakers Support 'Pied-à-Terre' Tax on Multimillion-Dollar Second Homes."](#) *The New York Times*, March 11, 2019.

<sup>2</sup> ["NYC Brokers Relieved as Mansion Tax Replaces a Pied-a-Terre Levy."](#) *Bloomberg*, April 1, 2019.

Sales Price	Additional Mansion Tax
\$15 to <\$20 million	2.5%
\$20 to <\$25 million	2.75%
\$25 million+	2.9%

By way of example, as reported in *The Real Deal*, the recent purchase of a condominium for \$238 million would have resulted in \$14.3 million in taxes under the new system, as opposed to \$6.9 million under the old system.<sup>3</sup>




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<sup>3</sup> “This Calculator Shows How the New Mansion, Transfer Taxes Work,” *The Real Deal*, April 02, 2019.

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