FIRPTA | AUGUST 20, 2026

NYC's Pied-à-Terre Tax: What Florida Residents and Foreign Nationals Need to Know

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There is a certain irony in owning a $10 million apartment on Central Park South that you visit twice a year. The city gets your property taxes, your building gets your maintenance, and your neighbors get silence. Today, certain state governments are keen on having you pay a bit more for the privilege of not being there.

For the roughly 20,000 high-net-worth New Yorkers who have moved to Florida since 2021, palm trees offer no cover: owning that Manhattan pied-à-terre comes with a price tag—and it just got higher.

Enter the pied-à-terre tax: New York's recurring legislative fever dream, and one that Florida residents and foreign nationals with New York City (NYC) residential holdings should be watching closely.

But will the tax bill ever actually come due? Plot twist: On August 10, a Staten Island Supreme Court judge threw a wrench in the works, granting a temporary restraining order that halted the city's pied-à-terre tax rollout in its tracks. The court ordered the NYC Department of Finance (DOF) to take down its published list of over 900,000 targeted properties and nullified all compliance deadlines. NYC promptly appealed, staying the order pending further proceedings.

The ongoing legal saga ensuing over the new tax will need to be monitored closely. This article highlights some of the key issues that Florida residents and foreign nationals should be prepared for if the legal outcome results in enforceability of the new law.

What Is New York's Pied-à-Terre Tax?

The pied-à-terre tax was signed into law and went into effect July 1, 2026. This tax is a new annual surcharge on high-value NYC residential properties not used as the owner's primary residence. Think of it as a luxury absentee-owner levy. The DOF determines primary-residence status as of January 5 each year.

The surcharge applies to properties above certain thresholds, which are determined based on DOF-set market values: $5 million for one- to three-family homes, and $1 million for condos and co-ops. Rates range from 0.8% to 1.3% of market value for houses and 4% to 6.5% for condos and co-ops. The higher condo rates reflect that DOF valuations currently understate true market value. The tax is annual, not transactional.

Who's Affected?

NYC's pied-à-terre tax targets owners of high-value residential properties who keep those homes as secondary residences rather than using them—or qualifying family members or tenants using them—as a primary residence. In other words, if you are a Florida resident or foreign national who owns, or is considering owning, residential property in Manhattan or Brooklyn's pricier neighborhoods, this law has you in its sights. The Governor's office estimates the surcharge will hit roughly 10,000 properties and generate nearly $500 million annually.

Several important exemptions limit the reach of NYC's pied-à-terre tax. Most notably, the surcharge generally does not apply where the property serves as the primary residence of an immediate family member of the owner, the primary residence of a bona fide tenant, or qualifying subtenant under an arm's-length lease of at least one year. Certain properties owned through entities or trusts may also qualify for exemption where the residence is used as the primary home of qualifying owners, beneficiaries, or other specified individuals.

The Tax Stack

The pied-à-terre tax joins an already crowded field of potential U.S. and NY state and local tax obligations for Floridians, and foreign nationals who are not U.S. taxpayers, that own NYC real estate, such as:

- NYC/NY transfer taxes on the transfer of real estate
- The mansion tax (4–5%+ combined on high-value deals)
- NY state income tax for properties that generate rental income
- NY state capital gain tax on sale of NY real estate
- NYC capital gain tax on sale of NYC real estate (applies only to NYC residents)
- FIRPTA (generally 15% U.S. withholding tax on sales of U.S. real estate by non-U.S. taxpayers)
- NY state estate tax on death
- U.S. federal gift tax on gratuitous transfers during lifetime
- U.S. federal estate tax on death

Layering in a recurring annual charge of 0.8% to 6.5% changes the math on any buy-hold-sell analysis.

Does Your Ownership Structure Help or Hurt?

Here is where it gets interesting.

It is often recommended that Florida residents and foreign nationals who are not U.S. taxpayers avoid owning NY real estate in their personal name. There are several legitimate reasons for doing so such as avoiding ancillary probate administration on death, liability protection (especially if renting the property), privacy and NY and/or U.S. federal estate tax insulation. Ownership instead may be held through different types of company or trust structures which may be beneficially owned upstream by more than one individual.

But the new law has anti-avoidance provisions that look through common structures to reach the individual beneficial owner for purposes of applying the tax:

Majority owners. A majority owner (>50%) of an LLC, partnership, or corporation is a beneficial owner that may allow the property to qualify for the primary-residence exemption if occupied by that owner or an immediate family member—meaning a majority LLC owner's adult child living there full-time exempts the property, even if the owner lives elsewhere.

Trusts face stricter rules. A trust beneficiary is treated as the beneficial owner for purposes of the tax only if they're the sole beneficiary of the trust. Current discretionary beneficiaries, even those who've never received a distribution, count as beneficiaries. Typical "sprinkle trusts" with multiple beneficiaries cannot claim the exemption.

Multi-tier structures don't work. The rules explicitly provide that "an individual cannot establish primary residency through a multi-tier business entity ownership structure." The typical foreign national's two-tier structure (i.e., Individual → Foreign Co. → LLC → Property) will trigger the surcharge regardless of who actually lives there.

50/50 ownership is a problem. If no individual holds a majority interest (e.g., a 50/50 co-owned LLC), the property is automatically subject to the surcharge, unless there's a qualifying arm's-length tenant.

What to Consider Now

Key questions for Florida-resident and foreign nationals who are not U.S. taxpayers, as well as their advisors:

- Threshold check. Does your property exceed the thresholds?
- Structure stress test. Will your current holding structure work under the new rules, or create headaches?
- Primary residence documentation. If someone connected to the ownership uses the property as a primary residence, is that documented properly? For trusts, you'll need to show the resident is the sole beneficiary.
- Trust restructuring. Consider whether decanting multi-beneficiary trusts into single-beneficiary trusts makes sense—but any restructuring must be completed before the January 5th determination date, and form-over-substance challenges are possible.
- Rental strategy. Properties occupied by arm's-length tenants under qualifying leases are exempt. Renting out may be an alternative path (but there are additional factors to consider).
- Total cost of ownership. Model the surcharge into your carrying costs. Does the investment still make sense?
- Exit timing. If a sale or wealth transfer is on the horizon, does accelerating make sense—keeping FIRPTA and transfer taxes in mind?

One question that had lingered was how look-through rules apply to multi-tiered structures. This issue is now resolved: multi-tier structures categorically cannot establish primary residency. However, important ambiguities remain, including whether a trust owning 100% of a single-member LLC constitutes a "multi-tier business entity ownership structure" (the phrase "business entity" could arguably exclude trusts from the prohibition, though DOF's commentary groups them together).

Key Dates and Deadlines

The pied-à-terre tax is now law, signed by Governor Hochul on May 28, 2026, effective July 1, 2026, with a five-year sunset. DOF began issuing preliminary determination notices in July 2026. First surcharge payments are due January 1, 2027, subject to the pending legal saga.

If you've received a DOF letter indicating possible liability, you have until September 18, 2026 to submit an exemption application through the DOF portal if an exemption is available. Notwithstanding the pending legal battle, it would be prudent to speak with experienced New York counsel to consider filing such exemption before the deadline.

If you are a Florida resident or foreign national who owns or is considering luxury NYC residential property, please contact us with any questions.

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