

## “Death by a thousand cuts”: real estate reacts to governor’s pied-à-terre tax proposal

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REBNY, industry observers balk at 11th-hour stab at resurrecting policy

- Governor Kathy Hochul introduced a surprise annual tax surcharge on second homes in New York City valued at \$5 million or more, expecting the tax to generate \$500 million in annual revenue to help balance the city’s budget deficit.
- The real estate industry, including the Real Estate Board of New York (REBNY), strongly opposes the tax, arguing it will not raise the projected revenue but will instead eliminate construction jobs, lower property values, and ultimately weaken the city’s economy and tax base.
- Industry observers predict the tax will likely cause a direct negative impact on the luxury housing market and may incentivize wealthy buyers to change their behavior, either by opting to avoid the tax (by registering their second homes as primary residences) or by selling their assets at below-market prices.

After [months of fretting](#) about how Mayor Zohran Mamdani’s election and policy promises could impact the luxury residential market, New York City agents and brokers instead received a surprise tax proposal from outside the city.

Gov. Kathy Hochul on Tuesday put forward an annual tax surcharge on second homes in New York City worth \$5 million or more. Hochul has yet to reveal specifics on the tax, but the governor expects the tax to raise \$500 million in annual revenue.

The move, which comes two weeks after the state budget was initially due on April 1, is the latest evolution in a battle between Mamdani and Hochul over how best to close the city’s budget deficit, in which Mamdani has repeatedly tried to target the city’s wealthiest residents.

Hochul has pushed back on Mamdani’s previous attempts at a broad property tax hike, and the pied-à-terre tax appears to be a compromise between the governor and mayor to tax the rich that don’t vote here.

“They get to vote in favor of a tax, and they can say to their voters, you’re not paying for it,” Compass’ Jason Haber, who also serves as president of local trade group New York Residential Agent Continuum, said.

Mamdani, who is backing the governor’s proposal, said the pied-à-terre tax levied on the “ultra-wealthy and global elites” will help balance the city’s multibillion-dollar budget deficit in a press release that also called out specific properties like Ken Griffin’s \$238 million penthouse at 220

Central Park South and Russian autodealer Alexander Varshavsky's \$21 million condo at 25 Columbus Circle.

But the real estate industry says targeting the "ultra-wealthy and global elites" represents a short-sighted budgetary maneuver that will only serve to drive away an important portion of the city's tax base and ultimately weaken its housing market and economy.

"It will not raise the amount of revenue expected, but will eliminate thousands of construction jobs, lower property values, and raise costs for New Yorkers," Real Estate Board of New York president Jim Whelan said in a statement. "Albany should focus on policies that encourage investment and housing production to create a more affordable city, not ones that stifle its growth."

"It's death by a thousand cuts," said Serhant's Ravi Kantha. "There is a breaking point for every place in the world where you make it so difficult and so expensive to live there that even the wealthiest people say I want nothing to do with this."

Part of the consternation from industry players has come from the last-minute nature of the proposal, which Haber says has put real estate "in a race that no one saw."

State and local lawmakers have bandied about a number of tax proposals in public statements and budget proposals. In March, Democrats in the New York state Senate and Assembly included an [increased transfer tax](#) on residential properties valued at at least \$5 million in their budget proposals. Mamdani had also previously threatened to raise property taxes in a bid for a balanced budget.

While the governor's proposal came as a late surprise in the budget process, the idea of a pied-à-terre tax has long been appealing to New York lawmakers seeking to raise revenue without alienating their constituency. A 2014 proposal would have levied an escalating tax surcharge on secondary homes priced at \$5 million or over, and a [2019 proposal was scrapped in favor of increased transfer taxes](#).

"It's something that keeps coming up as a revenue source," said Miller Samuel CEO Jonathan Miller. But projections for proposals like this rarely take into account that "changes in tax policy change consumer behavior," meaning wealthy buyers of second homes in the city are likely to find ways to avoid the tax, according to Miller.

Spencer Levine, president of development firm RAL Companies, said the tax could incentivize buyers to find ways to use their homes in the city as primary residences, rather than simply opting not to buy.

"I actually think it's an interesting way for the state and city to react to an exodus of people to low-tax jurisdictions," he said. "You're coming to New York for a reason."

But Haber said taxing pied-à-terre residences will only serve to drive away buyers who pay more than they receive in city services. “We get the revenue from them without the same kind of expense that we have from someone who uses the city services on a daily basis,” he said.

While the long-term impact on the city’s economy and tax revenue remains fuzzy, the tax will likely have a direct impact on the luxury housing market, which has been the strongest segment in the city as of late. Last year, deals signed for homes asking at least \$4 million [rose 11 percent from the previous year](#), according to data from Olshan Realty.

“If you’re going to start making that carry significantly higher, they’re going to sell those assets,” Kantha said of the impact of the tax. “And they’re not going to sell for what would be market price before this tax is implemented.”