

Client Alert

Proposed Tax on Non-Primary Residences in New York City

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In recent days, New York Governor Andrew Cuomo, New York City Mayor Bill de Blasio, and a number of state legislators have expressed their support for legislation that would allow New York City to impose a new tax on non-primary residences with market values exceeding \$5 million. This tax would be in addition to existing real property taxes. The bill, known as A4540 in the Assembly and S44 in the Senate, appears to have significant political support and could be enacted quickly.

The tax would apply to “class one” properties (one to three unit residential properties other than cooperatives and some condominiums) as well as cooperatives and any other condominiums (the “Subject Properties”). Primary residences, including the primary residences of the parent or child of the property’s owner, and vacant land would be exempt. The legislation does not exempt Subject Properties that are leased to tenants. The tax would apply equally to non-New Yorkers and New Yorkers who own second homes in New York City.

The first \$5 million of a property’s market value would be exempt from the new tax. The next \$20 million of a property’s market value would be subject to a progressive rate schedule, rising from 0.5% of a property’s market value to 3% of a property’s market value. A flat 4% tax rate would apply to the portion of a property’s market value, if any, in excess of \$25 million. As examples, a property valued at \$15 million would be subject to a \$120,000 annual levy and a property valued at \$60 million would be subject to a \$1.77 million annual levy.

Before the tax could take effect, it would have to be approved by New York City lawmakers.

The New York Assembly’s recent budget also includes proposals to raise income tax rates on high-income New Yorkers and impose a new real estate transfer tax on properties valued at \$5 million or more, but Governor Cuomo opposes both measures.

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Please feel free to contact us if you have any questions.

Austin Bramwell	abramwell@milbank.com	+1-212-530-5466
Georgiana J. Slade	gslade@milbank.com	+1-212-530-5616
James S. Sligar	jsligar@milbank.com	+1-212-530-5839
David J. Stoll	dstoll@milbank.com	+1-212-530-5880
Marceline B. Tempesta	mtempesta@milbank.com	+1-212-530-5887
Amy Albert	aalbert@milbank.com	+1-212-530-5638
Sean Doyle	sdoyle1@milbank.com	+1-212-530-5642
Sean Imfeld	simfeld@milbank.com	+1-212-530-5322
Katie Lynagh	klynagh@milbank.com	+1-212-530-5435
Bich-Nga H. Nguyen	bnguyen@milbank.com	+1-212-530-5886
Leah Socash	lsocash@milbank.com	+1-212-530-5386
Peter J. Tucci	ptucci@milbank.com	+1-212-530-5582
Stephanie L. Vara	svara@milbank.com	+1-212-530-5588

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