Anti-Displacement Policy Toolkit

Pied-à-terre Tax

This tool requires landlords pay a tax surcharge on non-primary residences, i.e. second homes. The intent of the policy is to increase the available housing stock by discouraging the ownership of multiple underutilized residences and putting these vacant units back on the market.

For NYC:

POLICY OBJECTIVE:
The primary objective of an NYC Pied-à-terre Tax policy would be to discourage wealthy individuals from owning multiple personal residences, thereby increasing the number of housing units available for rent or purchase. A significant number of units in NYC are owned by wealthy out-of-towners who only use the apartments part-time. The tax would create a disincentive to owning multiple properties that are not a person’s primary residence.

HOW MIGHT IT WORK?
The existing proposal in NYC, developed by the Fiscal Policy Institute, is to apply a graduated 4% tax based for pied-à-terre units valued at over $5 million. The tax would start at 0.5% for properties valued at between $5 million and $6 million, and increase gradually until reaching a 4% rate for properties valued at over $25 million.

WHO WOULD BENEFIT?
This tax would primarily benefit the city by generating significant revenue, which could either go into a general fund or be put towards affordable housing programs. The Fiscal Policy Institute estimates that there are 88,851 co-ops and condos in NYC owned by individuals who do not use the unit as their primary residence. Only 1.75% of these units are valued at over $5 million and would be affected by the tax, but nonetheless it would generate approximately $665 million. If the tax is substantial enough to discourage the ownership of second homes, it would also benefit potential homeowners and renters who could rent or purchase the units that are put back on the market. However, because the tax targets expensive properties (above $5 million), it is unlikely that low- to moderate-income renters would be able to access these newly available units.
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HOW WOULD IT BE ENACTED?
State legislation

HOW WOULD IT BE ENFORCED?
The policy would be enforced through NYC Department of Finance.

WHAT IS THE FEASIBILITY FOR ACHIEVING THIS IN NYC?

Potential Proponents:

- Existing and potential homeowners
- Community-based organizations
- Affordable housing developers
- Hotel trade associations

Potential Opponents:

- Real Estate Board of New York
- Rent Stabilization Association
- Real estate investors

Challenges:

- Requires State legislation

WHO’S INVOLVED?

State Senator Brad Hoylman introduced a bill that would place a property tax surcharge on the most luxurious homes in New York City owned by nonresidents.

New York City Councilmember Corey Johnson introduced a companion resolution to demonstrate the City’ Council’s support.

Fiscal Policy Institute
Regional Plan Association
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Example Policy: Paris, FR

HOW DOES IT WORK?

In Paris, individuals who own properties that are not their primary residence already have to pay a 20% additional amount in what is called council tax, however in 2017 a measure adopted by the city council tripled this amount. The goal was to cut down on the number of foreign owners (mainly British, American and Italian) leaving their apartments empty for most of the year amidst a severe housing shortage.

WHO BENEFITS?

An article in the Telegraph states that the rise in council tax for pied-à-terre units will generate an extra 43 million euros a year for the city. Additionally, the tax will increase the number of units available to permanent Parisians, rather than tourists or short-term renters.

HOW WAS IT ENACTED?

Paris's Socialist Party, which had control of City Hall at the time, adopted the measure in 2017. Before the tax increase was enacted, French law already prohibited the renting out of residential apartments for less than a year at a time. The tax increase was introduced at the same time that the city was cracking down on pied-à-terre units that were being used part-time by their owners and being rented illegally on a short-term basis, usually by the week to tourists.

HOW IS IT ENFORCED?

The policy is enforced by the Mayor's housing agency, the Bureau de la Protection des Locaux d'Habitation, or the Office for the Protection of Residential Property. Failure to comply with the law can result in hefty fines.