Department of Finance

# City Council Committee on Government Operations, State and Federal Legislation & Finance

Testimony of

Commissioner Richard Lee

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Chair Gale Brewer, Chair Linda Lee, and Members of the City Council,

My name is Richard Lee, and I am the Commissioner of the New York City Department of Finance (DOF).

Thank you for the opportunity to submit testimony regarding the implementation of the surcharge on non-primary residence properties, commonly referred to as a “pied-a-terre.”

I understand the Council’s interest in holding this hearing to discuss the implementation of this surcharge. The public understandably has a range of questions about this surcharge and the manner in which it has been implemented. I have been engaged with members of your team, and directly with many of you, to ensure that New Yorkers have the information that they need. I would have welcomed the opportunity to appear in person and field your questions directly, but the pending and active litigation precludes me from doing so. The Administration requested that the City Council postpone the hearing to the near future but the Council declined. In the meantime, I appreciate the opportunity to address some of those questions in my written testimony.

First, let me walk through the steps that led to implementation of the surcharge — from the passage of the state legislation authorizing the surcharge, through the rule-making process, to the posting of a supplemental roll and transmission of initial determination letters.

On May 28, 2026, as part of the State’s 2026/2027 budget legislation, the State enacted part HH of chapter 59 of 2026, which authorized this surcharge on certain high-value New York City residential properties that are not used as a primary residence. The law was enacted with support from the Mayor and his Administration to help close a significant budget gap. The statutory provisions relating to this surcharge can be found in Article 30-C of the New York State Tax Law and Chapter 32 of Title 11 of the City’s Administrative Code.

As with all revenue collected by DOF, these funds help keep the City running. The revenue DOF collects supports essential services that New Yorkers rely on every day, from educating our children in public schools and maintaining our parks to ensuring our streets are clean and our trash is collected.

DOF took steps to ensure the surcharge would be implemented through a transparent, consistent, and fair process that is legally compliant. On June 9, 2026, DOF published proposed rules outlining how the new surcharge would be administered and applied. As part of the rulemaking process, property owners and other members of the public had an opportunity to submit written feedback, provide testimony, and raise questions or concerns at a public hearing held on July 9, 2026. DOF reviewed the feedback that it received through the notice-and-comment process, made appropriate adjustments to the rule text, and promulgated the final rules necessary to implement the surcharge.

These rules were thereafter adopted on July 14, 2026 and took effect immediately. After adopting these rules, DOF moved forward with implementing the surcharge and, as required by law, published a supplemental roll on its website.

Each year, the City publishes real property market values and assessed values for all taxable property through its annual assessment roll. The purpose of the assessment roll is to provide the public with notice about every property subject to real property taxation throughout the five boroughs, the assessed and market values associated with such property, and certain information necessary to identify the property and its ownership. Both the Real Property Tax Law and the City Charter require the City to publish an assessment roll of taxable property in this manner, and assessment rolls have been required to be published annually for well over a century. In accordance with the City Charter, DOF publishes the tentative assessment roll for the upcoming fiscal year every January. Upon publication of this tentative assessment roll, property owners may challenge certain assessment-related matters, including by making a filing with the City's independent Tax Commission. On the date that the Tax Commission is required to render final determinations on these challenges—May 25 of each year—DOF releases its final assessment roll.

The City's assessment roll is highly accessible to the public, and it has been for many years. Any suggestion to the contrary is incorrect. For example, this property data has been publicly available as a fully searchable database on both the DOF website and NYC Open Data. DOF's online archives include assessment roll data dating back to fiscal year 2009. Many data elements included on the roll relating to property ownership are culled from land records and have also long been available through DOF's Automated City Register Information System (ACRIS). The City has published assessment rolls and made them available for public examination, in various forms, for over a hundred years. Before internet accessibility, the City's assessment rolls and land records were made available for review in person at government offices.

Section 11-3205 of the Administrative Code, part of the statutory framework governing the surcharge, requires the City to administer and enforce the surcharge "to the greatest extent practicable . . . in the same manner used to administer and enforce real property taxes," and requires the publication of corresponding property valuation information on a roll. The law authorizing the surcharge was adopted after the assessment roll for fiscal year 2026-2027 had already been published. As a result, the law governing the surcharge required the City to release a supplemental mid-cycle roll for the 2026-2027 tax year in order for the surcharge to be administered. Stated differently, for the 2026-2027 fiscal year only, DOF published a new assessment roll mid-year – the July 2026 supplemental roll. This largely involved republishing data from the May 2026 final assessment roll.

DOF published the required supplemental roll on July 24,2026. The supplemental roll includes relevant property valuation information, and certain descriptive information regarding all property that meets the surcharge statute's definition of "covered property." The universe of properties considered "covered property" for purposes of the law is much broader than the properties that were sent initial determination letters, as explained below, or that will eventually be subject to the surcharge.

In light of this, it is important to emphasize what the supplemental roll does not do. The supplemental roll does not establish which properties are subject to the surcharge. It generally includes certain information to identify such properties and their ownership. Like the assessment roll, publication of the supplemental roll provides a basis for property owners to challenge the value of their properties.

The law also requires DOF to send initial determination letters to property owners whose properties may be subject to the surcharge and whose primary residency could not be confirmed based on the information available to the agency, as described in DOF rules. Only a very small subset of the population of properties that were listed on the supplemental roll received an initial determination letter, about 17,000 homes out of a total of approximately 960,000 listed homes. The surcharge only applies to those class one properties—which typically include one to three family homes— with market values greater than or equal to $5,000,000 and cooperative and condominium dwelling units with market values greater than or equal to $1,000,000. Some properties that would have otherwise received an initial determination letter did not ultimately receive one because DOF already possessed data that sufficiently demonstrated that the property was used as a primary residence and was therefore not subject to the surcharge. For example, homeowners who affirmatively established primary residency with DOF already for the 2026-2027 fiscal year, such as homeowners who receive the Senior Citizens Homeowners' Exemption (SCHE), or the Disabled Homeowners' Exemption (DHE), and therefore have provided proof of residency as well as proof of income for eligibility, did not receive this initial determination letter.

One of the most important aspects of this procedure is that this initial determination is not a tax bill. These notices simply inform property owners that, based on the information currently available to DOF, their property may be subject to the new surcharge. This is an initial determination, not a final one.

Property owners who believe their property should not be subject to the surcharge have an opportunity to submit proof the property is used as a primary residence. This process allows property owners to provide information that is readily available to the owners but may not be reflected in DOF's records. Through this process, property owners can provide DOF with the information DOF needs to make accurate determinations regarding surcharge eligibility before the surcharge is applied. For example, a primary homeowner can submit their driver's license as proof of primary residency. Property owners can alternatively challenge DOF's initial determination directly with the Tax Commission if they are also challenging their market value. For the 2026-2027 tax year, they have until March 2027 to do so.

In implementing the surcharge, we have focused on providing transparency about which properties may be affected and ensuring homeowners have a straightforward way to resolve their status. We recognize that homeowners need clear information and meaningful support as they navigate the process. That is why DOF has prioritized direct assistance and outreach.

DOF has been engaging homeowners and plans to further conduct proactive outreach at senior centers, community meetings, and other public forums; provide information through our dedicated website, nyc.gov/npsurcharge, and 311; and continue to work directly with co-op and condominium boards, property managers and building representatives to share information with residents. Where contact information for a property owner is available, we are also reaching out directly to homeowners who received notices to answer questions and provide guidance on the initial determination appeals process. In addition, we are partnering with elected officials, community leaders and constituent services staff to distribute accurate information and connect homeowners with available resources.

We have also announced an extension through September 18, 2026 for homeowners to submit appeals of initial determinations. We believe these efforts reflect the Administration's commitment to ensure that every potentially affected homeowner understands the process, knows where to turn for support and has a fair opportunity to challenge a DOF initial determination.

I understand there are concerns regarding this surcharge. I also understand that there are individuals who received an initial determination letter who may not ultimately owe the surcharge. That is exactly why DOF has expanded its customer service and extended the deadline for property owners to challenge initial determinations. DOF is working directly with building managers, elected officials, and homeowners to answer questions and make the process as straightforward as possible.

Whenever government implements a new law affecting thousands of property owners, questions inevitably arise. Government should communicate clearly and effectively about new policies, and DOF is committed to doing that, not just with respect to this law, but across all aspects of DOF's work.

DOF is committed to ensuring that this surcharge is only applied to those properties that are subject to the surcharge under the law. DOF is focused on making sure every homeowner has the information they need to understand the key contours of the law and to determine whether they are subject to the surcharge.

DOF's role is to administer and implement the law. As implementation moves forward, DOF has continued to engage with elected officials, respond to constituent concerns, and provide updates and guidance to help New Yorkers navigate the process.

We welcome continued feedback from the City Council and all stakeholders as we work to administer this new law with fairness, consistency, and clarity. I am prepared and would welcome the opportunity to testify after August 31.