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Here's the Tax Beat broadcast for April 29

Subject Line: *Pied-à-Terrible*

In 2019, the hedge fund manager Ken Griffin paid $238 million for a penthouse at 220 Central Park South. It was the most expensive home purchase in American history, and it made headlines everywhere. The New York Post ran the story. The Wall Street Journal ran the story. Your aunt in Des Moines probably sent you the link.

So what does New York City think that apartment is worth today? According to the city's own assessment rolls, $6.99 million. That's not a typo. The city that wants to tax luxury real estate values Ken Griffin's record-breaking penthouse at roughly what you could pay for a nice three-bedroom between First and Second Avenues. (The city's "market value" estimate is a slightly less embarrassing $15.5 million — but still 93% below what Griffin actually paid.)

This isn't a Griffin problem. It's a New York problem. The city's co-op and condo assessment system is a relic they haven't meaningfully updated since the disco era, and it routinely values Manhattan apartments at a fraction of their actual sale price. Which brings us to this week's story: Governor Hochul and Mayor Mamdani have proposed an annual surtax on non-primary residences valued above $5 million. The goal is to raise roughly $500 million a year from an estimated 13,000 *pied-à-terre* properties across the five boroughs.

Pied-à-terre, for those who skipped French class, translates to "foot on the ground." In Manhattan, it means a $50 million apartment where some Russian potash billionaire's foot touches the ground maybe six weekends a year. The proposal would slap these part-time palaces with an annual tax bill on top of existing property taxes. A 2019 version of the same idea floated graduated rates — 0.5% on assessed value above $5 million, climbing to 1.5% above $10 million, and a bracing 4% above $25 million. That version died in Albany. This one doesn't have published rates yet, but the real estate industry is already treating it like a five-alarm fire in a penthouse with no sprinklers.

Here's where it gets delicious. If the tax is based on assessed values, Griffin's $238 million penthouse barely qualifies. At $6.99 million assessed, it just clears the $5 million threshold by a rounding error. Even if the tax uses the city's own "market value" estimate, plenty of ultra-luxury properties would still magically fall below the line entirely. As one appraiser put it, the administrative costs "haven't been thought through," and the proposal could birth an entire cottage industry of creative valuations. (Appraisers everywhere just felt a tingle.)

The market is already adjusting in real time. One broker reports that a $5.5 million Park Avenue listing has attracted nothing but offers under $5 million since the announcement. Suddenly $4.99 million is the most popular number in Manhattan real estate — the new “$9.99” of luxury apartments. Buyers who could sneeze $5 million aren’t bothered by the money. They just refuse to pay a tax on principle. (Billionaires: they’re just like us, except the principles have more zeroes.)

And that’s really the story. New York wants to raise half a billion dollars a year from properties it can’t accurately value, using thresholds that sophisticated buyers will game before the ink is dry. Over 4,100 Manhattan apartments sold for $5 million or more in the last five years, and roughly 70% were second homes. That’s a lot of *pieds-à-terre* — and a lot of owners whose accountants are already sharpening their pencils.

The gap between what things actually cost and what the government thinks they cost is one place where tax planning lives. If New York can’t figure out what a $238 million penthouse is worth, imagine what Uncle Sam might be missing on *your* returns. We’d love to take a look — and we promise our appraisal won’t be off by 97%!

Kevin