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The proposed pied-à-terre taxes are generating furious debate.



Rhode Island is implementing a 'Taylor Swift tax', named after the pop star's waterfront mansion in Westerly. BRIAN SNYDER/ REUTERS



A proposed pied-à-terre tax would hit a penthouse in a New York tower, on right, owned by Citadel Capital CEO Ken Griffin. SCOTT MCINTYRE FOR WSJ

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Taxes on Second Homes Divide Owners, Advocates

BY NICHOLAS G. MILLER

State and local governments across the U.S. are seizing on a juicy new target for plugging budget holes and easing housing shortages: second homeowners.

New York City is planning to tax pieds-à-terre worth \$5 million or more. Rhode Island's "Taylor Swift tax" will hit homes valued at over \$1 million that are uninhabited for at least 183 days of the year. Nicknamed after the pop star who owns a waterfront mansion in Westerly, the measure is set to take effect in July.

Meanwhile, courts are weighing proposals in Montana and San Francisco for extra levies on vacant homes.

These taxes are generating furious debate. Supporters say they would help improve housing affordability by encouraging owners of second homes to turn them into longterm rentals rather than let them sit vacant.

"Homes should be for people to live in, not to sit empty, especially during a crisis," said Sean Elo-Rivera, a city council member in San Diego, where residents will vote on whether to tax second homes.

Elo-Rivera introduced the city's proposal, subject to a June ballot measure, to place a levy of \$8,000 on vacant properties next year. The tax would rise to \$10,000 in 2028.

Critics say the taxes would drive away wealthy people whose spending boosts local economies, and discourage new construction.

New York City Mayor Zohran Mamdani celebrated the new pied-à-terre tax proposal by filming a video in front of the building with Ken Griffin's \$238 million Manhattan penthouse. Griffin's chief operating officer at Citadel

responded by raising the possibility the company might not move forward with a \$6 billion Park Avenue construction project.

The tax could strain second homeowners who aren't ultrawealthy.

Ellen Shaw lives in Nevada and frequently travels to her small condo in San Diego to receive medical care. If the San Diego tax passes, it would charge her thousands of dollars in addition to the \$4,600 in property tax she currently pays.

"Just because I have two homes doesn't mean I'm wealthy," Shaw said. "They should cherish people like me who pay more and use less of the [city's] services."

While the number of second homes has declined modestly in recent years, pied-à-terre taxes still present a politically attractive fix for housing and budget shortfalls in many places, especially because second homeowners usually can't vote in the cities where their properties are being taxed.

Research has found limited evidence that increased taxes can cause wealthy people to leave in meaningful numbers. And similar taxes, when implemented in cities overseas, have led vacancies to fall as owners began renting out their second homes.

In 2024, the number of vacancies in Vancouver, British Columbia, fell below 1,000 for the first time, down from over 2,500 in 2017, the year a vacant-home tax policy was implemented.

Meanwhile, a 2020 study found that a French tax on empty homes decreased vacancy rates by 13% in the cities where it was implemented.

In both cases, many of these homeowners began renting out their previously vacant homes to avoid the tax, shifting housing stock to the rental market.

One study of the Vancouver tax led by Lu Han, a professor of real estate at the Wisconsin School of Business, found that as a result of this shift of properties to the rental market, rental prices in the city saw a lasting decline.

Han said that in many cities where land is scarce and construction is expensive, an empty-housing tax can be a cost-effective way to increase housing availability and ease pressure on rental prices. Still, housing analysts say these taxes are unlikely to make a significant dent in the housing shortages in most cities. Such a tax isn't sizable enough to motivate many owners to rent out their homes, which can be costly. And even if they do, second or vacant homes typically comprise only a small percentage of the overall housing stock.

It's a "third-tier solution to this process," said Shane Phillips, housing initiative manager at UCLA's Lewis Center for Regional Policy Studies. Still, he added, "it's raising revenue, it's bringing a little bit of housing back to the market."

The revenue is also small relative to government budgets, which are under pressure from the expiration of pandemic-relief funds and rising costs from inflation. New York City said its pied-à-terre tax could raise \$500 million a year, a small sum compared with its budget of around \$120 billion.

Elo-Rivera sees San Diego's tax, which would apply to more than 5,000 homes, as one measure among many to help ease the city's housing shortage.

"Because it's a crisis related to something as foundational as housing, we try to come at this from the perspective that everything that we can do that can help is worth doing." Elo-Rivera said.

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