

U.S.

Judge Temporarily Blocks Mamdani's Pied-à-Terre Tax

Order came days after homeowners sued to delay the rollout of the tax

By Rebecca Picciotto

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Quick Summary

- A Staten Island judge ordered an emergency pause on the implementation of New York City Mayor Zohran Mamdani's new pied-à-terre tax.

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New York City Mayor Zohran Mamdani's new pied-à-terre tax hit a wall on Monday after a Staten Island judge ordered an emergency pause on the implementation of the new surcharge.

The ruling came in response to a Friday lawsuit from a group of three aggrieved homeowners suing to delay the rollout of the tax because of how it has been executed so far.

Wayne Ozzi, a state judge in Staten Island, entered a temporary restraining order mandating that the Department of Finance remove the tax roll of

order mandating that the Department of Finance remove the tax roll on 960,000 properties that it published last month as part of the pied-à-terre tax rollout.

The court also banned the city from taking any additional enforcement action on the tax warning notices that have already been mailed to 17,000 homeowners.

The next hearing is scheduled for the afternoon of Aug. 31.

The lawsuit isn't challenging the legal basis for the pied-à-terre tax as a whole. Rather, it argues that the rollout has been botched so far. The plaintiffs—Rachel O'Brien, Carmine Morano and Simon Hedley—are New York City residents who say they were falsely targeted with the pied-à-terre tax notices and are now scrambling to prove that they live there.

"We disagree with today's ruling, but we are confident in both the pied-à-terre surcharge and the City's ability to implement it fairly and effectively," said Mamdani spokesman Matt Rauschenbach. "This surcharge asks those who own second homes valued at \$5 million or more to contribute their fair share to the city they benefit from."

The spokesman added that the city's Law Department intends to appeal the ruling immediately in order to halt the temporary restraining order and allow the tax rollout to proceed.

State law requires the Department of Finance to make an initial determination of who is subject to the pied-à-terre tax based on available information like tax returns, property assessments and other official records. The lawsuit claims that city officials illegally placed the burden on homeowners to prove their residency status, rather than verifying that for themselves.

"We are very gratified by the judge's decision, which has vindicated the rights of hundreds of thousands of New York City homeowners who were subjected to a process they never should have been a part of in the first place," said Randy Mastro, a lawyer for the plaintiffs.

The pied-à-terre tax applies to homes worth \$5 million or more and co-ops and condos worth \$1 million or more in which the owner isn't a primary resident. Mamdani has touted the tax as proof that he is delivering on his campaign promise to tax the rich to fund his agenda.

The tax went into effect on July 1 and since then, the rollout has been messy. Some New Yorkers say they received notices warning they may be subject to the tax despite having lived in their residences for years or decades.

Property owners had until Sept. 18 to challenge their tax notices or apply for an exemption. The judge on Monday said that no deadlines related to those tax letters should be enforced.

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Rebecca Picciotto writes about the residential rental market and housing policy on The Wall Street Journal's Real Estate team based in New York. She interned on WSJ's Real Estate desk during the summer of 2022. Rebecca also worked as a politics reporter at CNBC, where she covered economic...

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