

Proposed NYC Estate Tax Cut Would Expose Middle-Class Homeowners to Tax Liability for the First Time, Attorney Says

A Manhattan attorney explains how a proposal to cut New York's estate tax exemption to \$750,000 could expose middle-class homeowners.

NEW YORK CITY, NY, UNITED STATES, June 2, 2026 /EINPresswire.com/ -- New York City Mayor Zohran Mamdani has proposed reducing New York State's estate tax exemption from its current threshold of \$7.35 million to \$750,000, while also raising the top estate tax rate from 16% to 50%. Unlike the Pied-à-Terre Tax, which was included in the \$268.5 billion state budget signed by Governor Kathy Hochul on May 28, 2026, this proposal was not enacted. However, the mayor intends to continue pursuing the policy.

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Vlad Portnoy

In response to the proposal, [Vlad Portnoy](#), a Manhattan-based attorney focusing on estate planning, probate, elder law, Medicaid planning, trusts, and wills, is encouraging New York residents to review their current estate plans in light of the potential changes.

"A reduction of this magnitude in the exemption threshold would bring a significantly larger portion of New York estates into taxable territory," said Portnoy. "Many residents — particularly homeowners in the outer boroughs — may not be aware of how their current assets could be affected if the exemption were lowered."

Under existing New York State law, estates that exceed the exemption threshold are subject to what practitioners refer to as the "cliff effect": once an estate's value surpasses the exemption by a defined margin, the exemption is lost entirely and tax applies to the full estate value, not just the amount above the threshold. This provision is distinct from federal estate tax law and from the rules in most other states.

As an illustrative example, a hypothetical estate consisting of a \$700,000 home, a \$400,000 investment account, and a \$500,000 small business interest would total \$1.6 million in gross value. Under the proposed 50% rate, the potential tax liability on such an estate could be

substantial. The actual tax owed in any individual case depends on a range of factors, including applicable deductions, the nature of the assets, and how the estate is structured.

"Whether or not this proposal becomes law, it is a good opportunity for New York residents to understand where they stand. Estate plans should be reviewed periodically, and a change in the legal landscape — proposed or enacted — is a reasonable prompt to do so," said Portnoy.

Because the cliff effect can result in a disproportionate tax liability for estates that modestly exceed the exemption, a proposal that lowers the threshold to \$750,000 is particularly significant for residents whose estates fall near that level. Ordinary asset growth — rising property values, a maturing investment account, or a life insurance policy — could shift an estate from non-taxable to fully taxable under the proposed rules.

The proposal remains under legislative consideration. New York residents seeking to understand how current or proposed estate tax thresholds apply to their specific circumstances are advised to consult with a licensed estate planning attorney.

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