



Buying on the East End: The Peconic Bay Transfer Tax, Town by Town



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LOCAL MARKET

Buying on the East End: The Peconic Bay Transfer Tax, Town by Town

Coltrain Mortgage Team · October 22, 2026 · 8 min read

"Wait, what's this Peconic tax, and why is it so big?" If you're buying in Southampton, East Hampton, Shelter Island, Southold, or Riverhead, that's usually the moment the closing estimate lands. Out east, the buyer pays a transfer tax that most of Long Island never sees, and on a typical East End price it can easily run into five figures. We've been helping buyers close all over Long Island for more than 20 years, so let's break down exactly how the tax works in each town, who gets a break on it, and how it fits into your financing plan.



The Buyer Pays It



2.5% in 4 Towns, 2% in Riverhead



First Chunk of Price Is Exempt



First-Time Buyers Can Owe Zero

What Is the Peconic Bay Transfer Tax?

Officially it's the Peconic Bay Region Community Preservation Fund tax, and on closing statements you'll often see it written as the "CPF tax." Voters in the five East End towns created it back in 1998 to pay for land preservation, farmland protection, open space, and water quality projects. Since April 1, 2023, four of the towns (East Hampton, Shelter Island, Southampton, and Southold) also collect an extra 0.5% for a Community Housing Fund. Riverhead opted out of that add-on.

Here's the part that surprises buyers coming from the rest of Long Island: **the buyer pays this tax**, not the seller. It's collected at closing and paid to the Suffolk County Clerk when the deed is recorded. It sits on top of the New York State transfer tax (which the seller normally pays) and, on purchases of \$1 million or more, the state mansion tax (which the buyer pays).

How Much Is the Peconic Bay Tax in Each Town?

Each town gets an exemption on the first part of the price, so you only pay the tax on the amount above it. The exemptions are bigger on the South Fork and Shelter Island than on the North Fork, and there's a \$2 million catch in four of the five towns (more on that below).

Town	Total rate	Exempt (home)	Exempt (vacant land)	Exemption lost above \$2M?	First-time buyer exemption?
Southampton	2.5%	First \$400,000	First \$100,000	Yes	Yes
East Hampton	2.5%	First \$400,000	First \$100,000	Yes	Yes
Shelter Island	2.5%	First \$400,000	First \$100,000	Yes	Yes
Southold	2.5%	First \$200,000	First \$75,000	Yes	Yes
Riverhead	2%	First \$150,000	First \$75,000	No cap listed	No

Exemptions shown are from the Suffolk County Clerk's Peconic Bay Region Community Preservation Fund form (effective April 1, 2023) and apply to residential property. The 2.5% rate is the 2% CPF tax plus the 0.5% Community Housing Fund tax.

So on a \$900,000 house in Southold, you'd pay 2.5% on \$700,000, which comes to \$17,500. The same price in Riverhead works out to 2% on \$750,000, or \$15,000. In Southampton it's 2.5% on \$500,000, or \$12,500. Same price, three different numbers, which is exactly why it pays to run your own town.

East End Transfer Tax Estimator

TRY IT

TOWN

Southampton

PURCHASE PRICE

\$ 1,200,000

Is it a house (not vacant land)?

Is every buyer a first-time homebuyer, buying it as a primary residence?

PECONIC BAY TAX

\$20,000

2.5% on \$800,000 (2% CPF
\$16,000 + 0.5% housing
fund \$4,000)

NY MANSION TAX

\$12,000

1% of the full price

**BUYER TRANSFER
TAXES**

\$32,000

Cash you'll need at closing
for these two taxes

The first **\$400,000** is exempt in Southampton, so the tax applies to \$800,000.

Estimate only, for residential purchases. It doesn't include the seller's New York State transfer tax, mortgage recording tax, title insurance, attorney fees, or other closing costs. First-time buyer exemptions require an approved application with the town and depend on household income limits. Confirm your exact figures with your attorney and title company.

The \$2 Million Cliff (South Fork, Shelter Island, and Southold)

In Southampton, East Hampton, Shelter Island, and Southold, the exemption only applies when the price is \$2 million or less. Go even a dollar over and the tax applies to the entire price. That creates a real cliff right at \$2 million.

\$1,995,000

**SOUTHAMPTON, EXEMPTION
APPLIES**

2.5% on \$1,595,000 = \$39,875 Peconic Bay tax

\$2,005,000

**SOUTHAMPTON, NO
EXEMPTION**

2.5% on the full \$2,005,000 = \$50,125 Peconic Bay tax, about
\$10,250 more for a \$10,000 higher price

If you're negotiating right around that line, it's worth a conversation with your agent and attorney before you sign a contract. Riverhead's exemption, according to the County Clerk's form, doesn't carry the same \$2 million limit.

The First-Time Buyer Exemption Most People Don't Know About

This is the big one. In Southampton, East Hampton, Shelter Island, and Southold, a qualifying first-time buyer can be **fully exempt** from the Peconic Bay tax. Not a discount, the whole thing. Riverhead is the one East End town without this exemption.

Who qualifies	Every buyer on the purchase has to be a first-time homebuyer, and the home has to be your primary residence. That's stricter than some loan programs, where only one borrower needs to be a first-timer.
Income limit	Household income can't exceed the State of New York Mortgage Agency (SONYMA) Low Interest Rate Program limit for Suffolk County, non-target, 1 and 2 person households. The current SONYMA table (reservations from July 6, 2026) lists \$197,160 . The law uses that one limit regardless of household size.
Price cap: Southampton, East Hampton, Shelter Island	Up to 150% of SONYMA's Suffolk non-target one-family purchase price limit. With the current \$1,306,970 limit, that works out to about \$1,960,455 .
Price cap: Southold	Up to 60% of that same SONYMA limit, which works out to about \$784,182 right now.
How you get it	You apply on the town's form before closing. Each town runs its own application and paperwork, so start early. SONYMA limits change periodically; the numbers that count are the ones in effect on your contract date.

Put the pieces together and the savings can be huge. A first-time buyer at \$1.2 million in Southampton who qualifies would skip a \$20,000 Peconic Bay tax bill. That's real money you could keep in the bank or put toward your down payment.

Don't Forget the Mansion Tax at \$1 Million

New York's "mansion tax" is 1% of the full price on residential purchases of \$1 million or more, and the buyer pays it. It applies to houses, condos, and co-ops, and it's completely separate from the Peconic Bay tax. So a \$1.2 million purchase in Southampton (without the first-time buyer exemption) looks like this at closing:

② Peconic Bay tax: \$20,000 2% CPF (\$16,000) plus the 0.5% Community Housing Fund (\$4,000) on the \$800,000 above the exemption.	① Mansion tax: \$12,000 1% of the full \$1,200,000. There's no exemption, and it kicks in at exactly \$1,000,000.
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\$32,000

in buyer transfer taxes alone on a \$1.2 million
Southampton purchase, before any other closing costs

How East End Prices Line Up With Loan Limits

East End prices push a lot of buyers past the standard loan limits, so it helps to know where the lines are in Suffolk County for 2026:

Up to \$832,750 CONFORMING

The national baseline limit. The widest range of conventional options, including first-time buyer programs.

Up to \$1,209,750 HIGH-BALANCE CONFORMING

Suffolk's high-cost limit. Still Fannie Mae and Freddie Mac financing, with a few tighter rules than baseline loans.

Above \$1,209,750 JUMBO

Lender-specific guidelines, usually larger down payments and more reserves. See our **Long Island jumbo loan guide**.

One planning tip we give every East End buyer: transfer taxes are paid in cash at closing, on top of your down payment. On a jumbo loan, lenders often want to see reserves left over *after* closing too. Build the Peconic Bay and mansion tax into your cash plan from day one so there are no surprises at the closing table. If you're selling a house elsewhere on the Island to buy out east, a **HELOC used as bridge financing** can help with the timing.

Primary Home, Second Home, or Rental? Be Honest Up Front

Plenty of East End purchases are second homes, and that's completely fine. Just know that lenders treat the three occupancy types very differently, and the one you pick drives your down payment and loan options. Fannie Mae's rules for a second home, for example, say you have to occupy it for some part of the year, it has to be a one-unit home suitable for year-round use, and you have to keep control of it, not hand it to a rental management pool.

Counting on summer rental income? On a loan made as a second home, Fannie Mae doesn't let the lender use rental income to qualify you. If the plan is to rent it out seriously, it may need to be financed as an investment property, which has its own rules. Several East End towns also have rental permit or registry requirements, so check with the town before you count on summer income.

Also remember that the first-time buyer exemption from the Peconic Bay tax is only for a **primary residence**. If you're buying a weekend place, plan on paying the tax.

Down Payment Help in East End Towns

If you're a first-time buyer, the Peconic Bay exemption isn't the only help out there. Suffolk County's down payment assistance program has covered several East End towns, and Riverhead's Town Board discussed adding its own money on top of the county's help for a handful of buyers this summer (that

proposal hadn't been approved as of its July 2026 discussion). Ask us which programs are open when you're ready to buy. You can also use **gift funds from family**, and our **Long Island first-time buyer guide** walks through the rest of the process.

Your East End Buying Checklist

1

Run your town's numbers early

Use the estimator above so the Peconic Bay tax and any mansion tax are in your budget before you make an offer.

2

Check the first-time buyer exemption

In Southampton, East Hampton, Shelter Island, or Southold, compare your household income and price to the current caps and get the town's application going.

3

Watch the \$2 million line

Right around \$2 million, a small price change can move your tax by five figures in four of the five towns.

4

Match the loan to how you'll use the home

Primary, second home, and investment property are financed differently. Tell your lender the real plan.

5

Get pre-qualified with the full cash picture

Down payment, transfer taxes, closing costs, and reserves. We'll put all of it on one page for you. **See how our purchase process works.**

Buying out east? Let's map out your real cash to close.

COMMON QUESTIONS

Who pays the Peconic Bay transfer tax, the buyer or the seller?

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The buyer. The Peconic Bay Region Community Preservation Fund tax is paid by the buyer at closing and remitted to the Suffolk County Clerk when the deed is recorded.

What is the Peconic Bay tax rate in 2026?

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It's 2.5% in Southampton, East Hampton, Shelter Island, and Southold (a 2% Community Preservation Fund tax plus a 0.5% Community Housing Fund tax added April 1, 2023). Riverhead did not adopt the housing fund add-on, so its rate is 2%.

How much of the price is exempt from the Peconic Bay tax?

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For a home, the first \$400,000 is exempt in Southampton, East Hampton, and Shelter Island, the first \$200,000 in Southold, and the first \$150,000 in Riverhead. In every town except Riverhead, the exemption only applies when the price is \$2 million or less.

Do first-time homebuyers pay the Peconic Bay tax?

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Qualifying first-time buyers can be fully exempt in Southampton, East Hampton, Shelter Island, and Southold, if every buyer is a first-time homebuyer, the home is a primary residence, and income and price are within the limits tied to SONYMA's program. Riverhead does not offer this exemption.

Do I pay the mansion tax and the Peconic Bay tax?

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Yes, if the price is \$1 million or more. New York's mansion tax is 1% of the full price on residential purchases of \$1 million or more, paid by the buyer, and it's separate from the Peconic Bay tax.

Can I roll the Peconic Bay tax into my mortgage?

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Plan on paying it in cash at closing along with your other closing costs. In some purchases a seller credit toward closing costs can help, within the limits your loan program allows, so talk it through with your loan officer and attorney before you sign a contract.

Tax rates, exemptions, and SONYMA limits are based on the sources below as of October 2026 and are subject to change. This article is general information, not tax or legal advice; confirm figures with your real estate attorney and title company. All loans are subject to credit approval, underwriting, and property eligibility. This article is not a commitment to lend. Coltrain Mortgage is a mortgage broker; all loans are arranged through third-party lenders. Equal Housing Opportunity.

SOURCES

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READY WHEN YOU ARE

Buying on the North or South Fork?

We'll lay out your down payment, transfer taxes, and closing costs on one page, so you know your real number before you make an offer. No pressure, no obligation.



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