

What is the Substandard Housing program?

The Substandard Housing program assists the state and local agencies responsible for abating unsafe living conditions that violate California Health and Safety Codes. The Franchise Tax Board disallows interest, taxes, amortization, and depreciation deductions pursuant to California Revenue & Taxation Code (CR&TC) Sections 17274 and 24436.5 relating to substandard property. Taxpayers receive a Notice of Proposed Assessment if the disallowed deductions result in additional tax due.

How will the Substandard Housing program benefit your agency?

Your agency can benefit from the Substandard Housing program in two ways:

- 1) help promote compliance by not allowing the substandard property owners to deduct certain expenses on their tax returns, and
- 2) the additional tax collected from assessments is allocated to assist in rehabilitation.

How are the funds distributed?

The California General Fund transfers the tax revenues generated by the disallowed income tax deductions to the Local Code Enforcement Rehabilitation fund. These funds are allocated and disbursed to the cities and counties that generated the notification of substandard housing to the Franchise Tax Board.

Why are assessments not issued on every property owner that receives a Notice of Noncompliance?

The Franchise Tax Board reviews the tax returns of those taxpayers identified by the regulatory agencies as owning substandard property. Income tax deductions for interest, taxes, amortization, and depreciation are disallowed for the substandard property. However, the taxpayer only receives a Notice of Proposed Assessment if additional tax is due resulting from this adjustment to the tax return.

I want to participate in the Substandard Housing program. How can I get information and the forms?

Contact the Franchise Tax Board at (916) 845-5296 to request the forms for participation in the Substandard Housing Program.

Why do I need to include the owner's social security number on the Notice of Noncompliance?

The Franchise Tax Board utilizes the social security number to locate the correct property owner's tax returns. The Franchise Tax Board cannot take any action pursuant to CR&TC Sections 17274 and 24436.5 without the property owner's social security number.

Can I provide other identifying information instead of the social security number?

The owner's California driver's license number, federal employer identification number, or California corporation number are all acceptable forms of identification.

Substandard Housing Frequently Asked Questions For An Agency

Why do I need to send the Notices of Compliance or Notices of Cancellation to the Franchise Tax Board?

The Notices of Compliance and Notices of Cancellation determine the period of time the Franchise Tax Board can assess a property owner.

Why do I need to send the Notice of Compliance or Notice of Cancellation to the property owner if our records are updated?

The Notices of Compliance inform property owners they have corrected the substandard condition of the property. The Notices of Cancellation inform the property owners the Notice of Noncompliance is revoked and the property was never substandard.

What happens if I don't send Notices of Compliance or Notices of Cancellation to the Franchise Tax Board?

The Franchise Tax Board will continue to expend resources to disallow the income tax deductions of property owners who are actually in compliance with state and local health and safety codes.

Assistance for persons with disabilities: We comply with the Americans with Disabilities Act. Persons with hearing or speech impairments please call TTY/TDD (800) 822-6268.