

# DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

[Docket No. FR-4889-N-03]

## Statutorily Mandated Designation of Difficult Development Areas for Section 42 of the Internal Revenue Code of 1986

**AGENCY:** Office of the Secretary, HUD.  
**ACTION:** Notice.

**SUMMARY:** This document designates "Difficult Development Areas" for purposes of the Low-Income Housing Tax Credit (LIHTC) under section 42 of the Internal Revenue Code of 1986 (the Code) (26 U.S.C. 42). The United States Department of Housing and Urban Development (HUD) makes new Difficult Development Area designations annually. The designations of "Qualified Census Tracts" under section 42 of the Internal Revenue Code published December 12, 2002, as supplemented on December 19, 2003, remain in effect.

**FOR FURTHER INFORMATION CONTACT:** For questions on how areas are designated and on geographic definitions: Alastair McFarlane, Senior Economist, Economic Development and Public Finance Division, Office of Policy Development and Research, Department of Housing and Urban Development, 451 Seventh Street, SW., Washington, DC 20410-6000, telephone (202) 708-2770, e-mail [Alastair.McFarlane@hud.gov](mailto:Alastair.McFarlane@hud.gov). For specific legal questions pertaining to Section 42: Branch 5, Office of the Associate Chief Counsel, Passthroughs & Special Industries, Internal Revenue Service, 1111 Constitution Avenue, NW., Washington, DC 20224, telephone (202) 622-3040, fax (202) 622-4524. For questions about the "HUB Zones" program: Michael P. McHale, Assistant Administrator for Procurement Policy, Office of Government Contracting, Suite 8800, Small Business Administration, 409 Third Street, SW., Washington, DC 20416, telephone (202) 205-8885, fax (202) 205-7167, e-mail [hubzone@sba.gov](mailto:hubzone@sba.gov). A text telephone is available for persons with hearing or speech impairments at (202) 708-9300. (These are not toll-free telephone numbers.) Additional copies of this notice are available through HUD User at (800) 245-2691 for a small fee to cover duplication and mailing costs.

**Copies Available Electronically:** This notice and additional information about Difficult Development Areas and Qualified Census Tracts are available electronically on the Internet (World Wide Web) at <http://www.huduser.org/datasets/qct.html>.

## SUPPLEMENTARY INFORMATION:

### This Document

This notice designates Difficult Development Areas for each of the 50 states, the District of Columbia, Puerto Rico, American Samoa, Guam, the Northern Mariana Islands, and the U.S. Virgin Islands. The designations of Difficult Development Areas in this notice are based on final fiscal year 2004 Fair Market Rents (FMRs), 2004 income limits, and 2000 Census population counts as explained below. The designations of Qualified Census Tracts under Section 42 of the Internal Revenue Code published December 12, 2002 (67 FR 76451), as supplemented on December 19, 2003 (68 FR 70982), remain in effect.

### 2000 Census

Data from the 2000 Census on total population of metropolitan areas and nonmetropolitan areas are used in the designation of Difficult Development Areas. The Office of Management and Budget (OMB) published new metropolitan area definitions incorporating 2000 Census data in OMB Bulletin No. 03-04 on June 6, 2003, as updated in OMB Bulletin No. 04-03 on February 18, 2004. The FY2004 FMRs and 2004 income limits used to designate Difficult Development Areas are based on the Metropolitan Statistical Area (MSA) and Primary Metropolitan Statistical Area (PMSA) definitions established by OMB in OMB Bulletin No. 99-04 on June 30, 1999. Therefore, for the purposes of designating Difficult Development Areas, "metropolitan areas" will continue to be defined according to the MSA/PMSA definitions established in OMB Bulletin No. 99-04 on June 30, 1999, until further notice.

### Background

The U.S. Department of the Treasury (Treasury) and its Internal Revenue Service (IRS) are authorized to interpret and enforce the provisions of the Code, including the LIHTC found at Section 42 of the Code. The Secretary of HUD is required to designate Difficult Development Areas and Qualified Census Tracts by Section 42(d)(5)(C) of the Code. In order to assist in understanding HUD's mandated designation of Difficult Development Areas and Qualified Census Tracts for use in administering Section 42, a summary of the section is provided. The following summary does not purport to bind Treasury or the IRS in any way, nor does it purport to bind HUD, as HUD has authority to interpret or administer the Code only in instances where it receives explicit delegation.

## Summary of Low-Income Housing Tax Credit

The LIHTC is a tax incentive intended to increase the availability of low-income housing. Section 42 provides an income tax credit to owners of newly constructed or substantially rehabilitated low-income rental housing projects. The dollar amount of the LIHTC available for allocation by each state (credit ceiling) is limited by population. Each state is allowed a credit ceiling based on a statutory formula indicated at Section 42(h)(3). States may carry forward unallocated credits derived from the credit ceiling for one year; however, to the extent these unallocated credits are not used by then, the credits go into a national pool to be redistributed to states as additional credit. State and local housing agencies allocate the state's credit ceiling among low-income housing buildings whose owners have applied for the credit. Besides Section 42 credits derived from the credit ceiling, states may also provide Section 42 credits to owners of buildings based upon the percentage of certain building costs financed by tax-exempt bond proceeds. Credits provided under the tax-exempt bond "volume cap" do not reduce the credits available from the credit ceiling.

The credits allocated to a building are based on the cost of units placed in service as low-income units under certain minimum occupancy and maximum rent criteria. In general, a building must meet one of two thresholds to be eligible for the LIHTC: Either 20 percent of the units must be rent-restricted and occupied by tenants with incomes no higher than 50 percent of the area median gross income (AMGI) or 40 percent of the units must be rent restricted and occupied by tenants with incomes no higher than 60 percent of AMGI. The term "rent-restricted" means that gross rent, including an allowance for utilities, cannot exceed 30 percent of the tenant's imputed income limitation (*i.e.*, 50 percent or 60 percent of AMGI). The rent and occupancy thresholds remain in effect for at least 15 years, and building owners are required to enter into agreements to maintain the low-income character of the building for at least an additional 15 years.

The LIHTC reduces income tax liability dollar for dollar. It is taken annually for a term of ten years and is intended to yield a present value of either (1) 70 percent of the "qualified basis" for new construction or substantial rehabilitation expenditures that are not federally subsidized (*i.e.*, financed with tax-exempt bonds or

below-market federal loans), or (2) 30 percent of the qualified basis for the cost of acquiring certain existing buildings or projects that are federally subsidized. The actual credit rates are adjusted monthly for projects placed in service after 1987 under procedures specified in Section 42. Individuals can use the credits up to a deduction equivalent of \$25,000 (the actual maximum amount of credit that an individual can claim depends upon the individual's marginal tax rate). Individuals cannot use the credits against the alternative minimum tax. Corporations, other than S or personal service corporations, can use the credits against ordinary income tax. They cannot use the credits against the alternative minimum tax. These corporations can also deduct losses from the project.

The qualified basis represents the product of the building "applicable fraction" and its "eligible basis." The applicable fraction is based on the number of low-income units in the building as a percentage of the total number of units, or based on the floor space of low income-units as a percentage of the total floor space of residential units in the building. The eligible basis is the adjusted basis attributable to acquisition, rehabilitation, or new construction costs (depending on the type of LIHTC involved). These costs include amounts chargeable to a capital account that are incurred prior to the end of the first taxable year in which the qualified low-income building is placed in service or, at the election of the taxpayer, the end of the succeeding taxable year. In the case of buildings located in designated Difficult Development Areas or designated Qualified Census Tracts, eligible basis can be increased up to 130 percent of what it would otherwise be. This means that the available credits also can be increased by up to 30 percent. For example, if a 70 percent credit is available, it effectively could be increased to as much as 91 percent.

Section 42 of the Code defines a Difficult Development Area as any area designated by the Secretary of HUD as an area that has high construction, land, and utility costs relative to the AMGI. All designated Difficult Development Areas in metropolitan areas (taken together) may not contain more than 20 percent of the aggregate population of all metropolitan areas, and all designated areas not in metropolitan areas may not contain more than 20 percent of the aggregate population of all nonmetropolitan areas.

## Explanation of HUD Designation Methodology

### A. Difficult Development Areas

In developing the list of Difficult Development Areas, HUD compared housing costs with incomes. HUD used 2000 Census population data and the metropolitan area (MSA/PMSA) definitions as published in OMB Bulletin No. 99-04 on June 30, 1999. In keeping with past practice of basing the coming year's Difficult Development Area designations on data from the preceding year, the basis for these comparisons was the 2004 HUD income limits for Very Low-Income households (Very Low Income Limits, or VLILs) and final FY2004 FMRs used for the Section 8 Housing Choice Voucher program. The procedure used in making the Difficult Development Area calculations follows:

1. For each MSA/PMSA and each nonmetropolitan area, a ratio was calculated. This calculation used the final FY2004 two-bedroom FMR and the 2004 four-person VLIL.

- a. The numerator of the ratio was the area's final FY2004 FMR. In general, the FMR is based on the 40th percentile rent paid by recent movers for a two-bedroom apartment. In metropolitan areas granted a FMR based on the 50th percentile rent for purposes of improving the administration of HUD's Housing Choice Voucher program (see 66 FR 162), the 40th percentile rent is used for nationwide consistency of comparisons.

- b. The denominator of the ratio was the monthly LIHTC income-based rent limit calculated as  $\frac{1}{12}$  of 30 percent of 120 percent of the area's VLIL (where 120 percent of the VLIL was rounded to the nearest \$50 and not allowed to exceed 80 percent of the AMGI in areas where the VLIL is adjusted upward from its 50 percent of AMGI base).

2. The ratios of the FMR to the LIHTC income-based rent limit were arrayed in descending order, separately, for MSAs/PMSAs and for nonmetropolitan areas.

3. The Difficult Development Areas are those with the highest ratios cumulative to 20 percent of the 2000 population of all metropolitan areas and of all nonmetropolitan areas, respectively.

### B. Application of Population Caps to Difficult Development Area Determinations

In identifying Difficult Development Areas, HUD applied caps, or limitations, as noted above. The cumulative population of metropolitan Difficult Development Areas cannot exceed 20 percent of the cumulative population of

all metropolitan areas and the cumulative population of nonmetropolitan Difficult Development Areas cannot exceed 20 percent of the cumulative population of all nonmetropolitan areas.

In applying these caps, HUD established procedures to deal with how to treat small overruns of the caps. The remainder of this section explains the procedure. In general, HUD stops selecting areas when it is impossible to choose another area without exceeding the applicable cap. The only exceptions to this policy are when the next eligible excluded area contains either a large absolute population or a large percentage of the total population, or the next excluded area's ranking ratio as described above was identical (to four decimal places) to the last area selected, and its inclusion resulted in only a minor overrun of the cap. Thus, for both the designated metropolitan and nonmetropolitan Difficult Development Areas, there may be minimal overruns of the cap. HUD believes the designation of these additional areas is consistent with the intent of the legislation. As long as the apparent excess is small due to measurement errors, some latitude is justifiable because it is impossible to determine whether the 20 percent cap has been exceeded. Despite the care and effort involved in a decennial census, the Census Bureau and all users of the data recognize that the population counts for a given area and for the entire country are not precise. The extent of the measurement error is unknown. Thus, there can be errors in both the numerator and denominator of the ratio of populations used in applying a 20 percent cap. In circumstances where a strict application of a 20 percent cap results in an anomalous situation, recognition of the unavoidable imprecision in the census data justifies accepting small variances above the 20 percent limit.

### C. Exceptions to OMB Definitions of MSAs/PMSAs and Other Geographic Matters

As stated in OMB Bulletin 99-04 defining metropolitan areas:

"OMB establishes and maintains the definitions of the [Metropolitan Areas] solely for statistical purposes \* \* \* OMB does not take into account or attempt to anticipate any nonstatistical uses that may be made of the definitions. \* \* \* We recognize that some legislation specifies the use of metropolitan areas for programmatic purposes, including allocating federal funds."

HUD makes exceptions to OMB definitions in calculating FMRs by deleting counties from metropolitan areas whose OMB definitions are

determined by HUD to be larger than their housing market areas.

The following counties are assigned their own FMRs and VLILs and evaluated as if they were separate metropolitan areas for purposes of designating Difficult Development Areas.

#### Metropolitan Area and Counties Deleted

Chicago, Illinois: DeKalb, Grundy, and Kendall Counties.

Cincinnati-Hamilton, Ohio-Kentucky-Indiana: Brown County, Ohio; Gallatin, Grant, and Pendleton Counties, Kentucky; and Ohio County, Indiana.

Dallas, Texas: Henderson County.

Flagstaff, Arizona-Utah: Kane County, Utah.

New Orleans, Louisiana: St. James Parish.

Washington, DC-Maryland-Virginia-West Virginia: Clarke, Culpeper, King George, and Warren Counties, Virginia; and Berkely and Jefferson Counties, West Virginia.

Affected MSAs/PMSAs are assigned the indicator "(part)" in the list of Metropolitan Difficult Development Areas. Any of the excluded counties designated as Difficult Development Areas separately from their metropolitan areas are designated by the county name.

In the New England states (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont), OMB defined MSAs/PMSAs according to county subdivisions or minor civil divisions (MCDs), rather than county boundaries. Thus, when a New England county is designated as a Nonmetropolitan Difficult Development Area, only that part of the county (the group of MCDs) not included in any MSA/PMSA is the Nonmetropolitan Difficult Development Area. Affected counties are assigned the indicator "(part)" in the list of Nonmetropolitan Difficult Development Areas.

For the convenience of readers of this notice, the geographical definitions of designated Metropolitan Difficult Development Areas and the MCDs included in Nonmetropolitan Difficult Development Areas in the New England states are included in the list of Difficult Development Areas.

Certain nonmetropolitan county equivalent areas in Alaska for which FMRs and VLILs are calculated and thus form the basis of Difficult Development Area determinations are no longer recognized as geographic entities by the Bureau of the Census. Therefore, no 2000 Census population counts are produced for these areas. HUD estimated the 2000 population of these areas as follows:

1. The 2000 Population of Denali Borough (1,893) was allocated entirely to the Yukon-Koyukuk Census Area. The part of Denali Borough created from the Southeast Fairbanks Census Area was deemed uninhabited after examination of Census Block data for, and maps of, the area of Denali Borough formerly in the Southeast Fairbanks Census Area.

2. The population of Yakutat City and Borough (808) was allocated to the former Skagway-Yakutat-Angoon Census Area (680) and the Valdez-Cordova Census Area (128). The populations of Yakutat City and Borough Census Blocks located east of 141° west longitude were allocated to the Skagway-Yakutat-Angoon Census Area. The populations of Yakutat City and Borough Census Blocks located west of 141° west longitude were allocated to the Valdez-Cordova Census Area.

#### Future Designations

Difficult Development Areas are designated annually as updated income and FMR data become available.

#### Effective Date

The 2005 lists of Difficult Development Areas are effective (1) for allocations of credit after December 31, 2004; or (2) for purposes of Section 42(h)(4)(B) of the Code, if the bonds are issued and the building is placed in service after December 31, 2004. If an area is not on a subsequent list of Difficult Development Areas, the 2005 lists are effective for the area if (1) the allocation of credit to an applicant is made no later than the end of the 365-day period after the submission to the credit-allocating agency of a complete application by the applicant, and the submission is made before the effective date of the subsequent lists; or (2) for purposes of Section 42(h)(4)(B) of the Code, the bonds are issued or the building is placed in service no later than the end of the 365-day period after the applicant submits a complete application to the bond-issuing agency, and the submission is made before the effective date of the subsequent lists, provided that both the issuance of the bonds and the placement in service of the building occur after the application is submitted.

An application is deemed to be submitted on the date it is filed if the application is determined to be complete as certified in writing by the credit-allocating agency or bond-issuing agency. A "complete application" means that no more than *de minimis* clarification of the application is required for the agency to make a

decision about the allocation of tax credits or issuance of bonds requested in the application.

The designations of "Qualified Census Tracts" under Section 42 of the Internal Revenue Code published December 12, 2002 (67 FR 76451) as supplemented on December 19, 2003 (68 FR 70982), remain in effect. The above language regarding calendar year 2005 and subsequent designations of Difficult Development Areas also applies to the designations of Qualified Census Tracts published December 12, 2002 (67 FR 76451), as supplemented on December 19, 2003 (68 FR 70982), and subsequent designations of Qualified Census Tracts.

#### Interpretive Examples of Effective Date

For the convenience of readers of this notice, interpretive examples are provided below to illustrate the consequences of the effective date in areas that gain or lose Difficult Development Area status. The examples are equally applicable to future Qualified Census Tract designations.

(Case A): Project "A" is located in a 2005 Difficult Development Area that is not a designated Difficult Development Area in 2006. A complete application for tax credits for Project "A" is filed with the allocating agency November 15, 2005, which the credit-allocating agency certified in writing as complete. Credits are allocated to project "A" on October 30, 2006. Project "A" is eligible for the increase in basis accorded a project in a 2005 Difficult Development area because the application was filed *before* January 1, 2006 (the assumed effective date for the 2006 Difficult Development Area lists), and tax credits were allocated no later than the end of the 365-day period after the filing of the complete application for an allocation of tax credits.

(Case B): Project "B" is located in a 2005 Difficult Development Area that is not a designated Difficult Development Area in 2006. A complete application for tax credits for Project "B" is filed with the allocating agency December 1, 2005, which the credit-allocating agency certified in writing as complete. Credits are allocated to project "B" on March 30, 2007. Project "B" is not eligible for the increase in basis accorded a project in a 2005 Difficult Development area because, although the application for an allocation of tax credits was filed *before* January 1, 2006 (the assumed effective date of the 2006 Difficult Development Area lists), the tax credits were allocated later than the end of the 365-day period after the filing of the complete application.

(Case C): Project "C" is located in a 2005 Difficult Development Area that was not a Difficult Development Area in 2004. Project "C" was placed in service November 15, 2004. A complete application for tax-exempt bond financing for Project "C" is filed with the bond-issuing agency on January 15, 2005, which the bond-issuing agency certified in writing as complete. The bonds that will support the permanent financing of Project "C" are issued September 30, 2005. Project "C" is not eligible for the increase in basis otherwise accorded a project in a 2005 Difficult Development Area because the project was placed in service *before* January 1, 2005.

(Case D): Project "D" is located in an area that is a Difficult Development Area in 2005, but is *not* a Difficult Development Area in 2006. A complete application for tax-exempt bond financing for Project "D" is filed with the bond-issuing agency on October 30, 2005, which the bond-issuing agency certified in writing as complete. Bonds are issued for Project "D" on April 30, 2006, but Project "D" is not placed in service until January 30, 2007. Project "D" is eligible for the increase in basis

available to projects located in 2005 Difficult Development Areas because the first of the two events necessary for triggering the effective date for buildings described in Section 42(h)(4)(B) of the Code (the two events being bonds issued and buildings placed in service) took place on April 30, 2006, within the 365-day period after a complete application for tax-exempt bond financing was filed, and the application was filed during a time when the location of Project "D" was in a Difficult Development Area.

#### **Findings and Certifications**

##### *Environmental Impact*

In accordance with 40 CFR 1508.4 of the regulations of the Council on Environmental Quality and 24 CFR 50.19(c)(6) of HUD's regulations, the policies and procedures contained in this notice provide for the establishment of fiscal requirements or procedures that do not constitute a development decision affecting the physical condition of specific project areas or building sites and, therefore, are categorically excluded from the requirements of the National Environmental Policy Act, except for extraordinary circumstances, and no

Finding of No Significant Impact is required.

##### *Federalism Impact*

Executive Order 13132 (entitled "Federalism") prohibits an agency from publishing any policy document that has federalism implications if the document either imposes substantial direct compliance costs on state and local governments and is not required by statute, or the document preempts state law, unless the agency meets the consultation and funding requirements of section 6 of the executive order. This notice merely designates "Difficult Development Areas" and "Qualified Census Tracts" as required under Section 42 of the Internal Revenue Code, as amended, for the use by political subdivisions of the states in allocating the Low-Income Housing Tax Credit. This notice also details the technical methodology used in making such designations. As a result, this notice is not subject to review under the order.

Dated: November 23, 2004.

**Alphonso Jackson,**  
*Secretary.*

BILLING CODE 4210-62-P

**2005 IRS SECTION 42(d)(5)(C) METROPOLITAN DIFFICULT DEVELOPMENT AREAS  
(MSA/PMSA DEFINITIONS June 30, 1999)**

<b>State</b>	<b>Metropolitan Area</b>	<b>Metropolitan Area Components</b>
<b>Arizona</b>	Flagstaff, AZ-UT MSA (part)	Coconino County, AZ
	Yuma, AZ MSA	Yuma County
<b>California</b>	Los Angeles-Long Beach, CA PMSA	Los Angeles County
	Oakland, CA PMSA	Alameda County
	Orange County, CA PMSA	Orange County
	Salinas, CA MSA	Monterey County
	San Diego, CA MSA	San Diego County
	San Francisco, CA PMSA	Marin County
	San Jose, CA PMSA	Santa Clara County
	Santa Barbara-Santa Maria-Lompoc, CA MSA	Santa Barbara County
	Santa Cruz-Watsonville, CA PMSA	Santa Cruz County
	Santa Rosa, CA PMSA	Sonoma County
		Contra Costa County
		San Francisco County
		San Mateo County
<b>Florida</b>	Miami, FL PMSA	Miami-Dade County
	Tampa-St. Petersburg-Clearwater, FL MSA	Hernando County
		Hillsborough County
		Pasco County
		Pinellas County

**2005 IRS SECTION 42(d)(5)(C) METROPOLITAN DIFFICULT DEVELOPMENT AREAS  
(MSA/PMSA DEFINITIONS June 30, 1999)**

State	Metropolitan Area	Metropolitan Area Components
Massachusetts	Barnstable-Yarmouth, MA MSA	Barnstable city
		Eastham town
Boston, MA-NH PMSA		Sandwich town
		Acton town
		Ayer town
		Berkley town
		Bolton town
		Brookline town
		Carlisle town
		Concord town
		Dover town
		Foxborough town
		Hamilton town
		Holbrook town
		Hudson town
		Lancaster town
		Lynn city
		Mansfield town
		Maynard town
		Melrose city
		Millis town
		Natick town
		Newton city
		Norwell town
		Plainville town
		Reading town
		Rowley town
		Scituate town
		Somerville city
		Stow town
		Topsfield town
		Walpole town
		Brewster town
		Harwich town
		Yarmouth town
		Amesbury town
		Bedford town
		Berlin town
		Boston city
		Burlington town
		Carver town
		Danvers town
		Duxbury town
		Framingham town
		Hanover town
		Holliston town
		Hull town
		Lexington town
		Lynnfield town
		Marblehead town
		Medfield town
		Mendon town
		Millville town
		Needham town
		Norfolk town
		Norwood town
		Plymouth town
		Revere city
		Salem city
		Sharon town
		Southborough town
		Sudbury town
		Townsend town
		Waltham city
		Chatham town
		Mashpee town
		Arlington town
		Bellingham town
		Beverly city
		Boxborough town
		Cambridge city
		Chelsea city
		Dedham town
		Essex town
		Franklin city
		Harvard town
		Hopdale town
		Ipswich town
		Lincoln town
		Malden city
		Marlborough city
		Medford city
		Middleton town
		Milton town
		Newbury town
		North Reading town
		Peabody city
		Quincy city
		Rockland town
		Salisbury town
		Sherborn town
		Stoneham town
		Swampscott town
		Upton town
		Wareham town
		Dennis town
		Orleans town
		Ashland town
		Belmont town
		Blackstone town
		Braintree town
		Canton town
		Cohasset town
		Dighton town
		Everett city
		Gloucester city
		Hingham town
		Hopkinton town
		Kingston town
		Littleton town
		town
		Marshfield town
		Medway town
		Milford town
		Nahant town
		Newburyport city
		Norton town
		Pembroke town
		Randolph town
		Rockport town
		Saugus town
		Shirley town
		Stoughton town
		Taunton city
		Wakefield town
		Watertown city

**2005 IRS SECTION 42(d)(5)(C) METROPOLITAN DIFFICULT DEVELOPMENT AREAS  
(MSA/PMSA DEFINITIONS June 30, 1999)**

<b>State</b>	<b>Metropolitan Area</b>	<b>Metropolitan Area Components</b>			
Massachusetts (continued)	Boston, MA-NH PMSA (continued)	Wayland town	Wellesley town	Wenham town	Weston town
		Westwood town	Weymouth town	Wilmington town	Winchester town
		Winthrop town	Woburn city	Wrentham town	
New Hampshire	Boston, MA-NH PMSA	Seabrook town	South Hampton town		
New Jersey	Jersey City, NJ PMSA	Hudson County			
New York	Nassau-Suffolk, NY PMSA New York, NY PMSA	Nassau County	Suffolk County	New York County	Putnam County
		Bronx County	Kings County	Rockland County	Westchester County
		Queens County	Richmond County		
Puerto Rico	Aguadilla, PR MSA Caguas, PR PMSA	Aguada Municipio	Aguadilla Municipio	Moca Municipio	Gurabo Municipio
		Caguas Municipio	Cayey Municipio	Cidra Municipio	
	Mayaguez, PR MSA	San Lorenzo Municipio	Cabo Rojo Municipio	Hormigueros Municipio	Mayaguez Municipio
		Anasco Municipio	San German Municipio		
	San Juan-Bayamon, PR PMSA	Sabana Grande Municipio	San German Municipio	Bayamon Municipio	Canovanas Municipio
		Agua Buenas Municipio	Barceloneta Municipio	Ceiba Municipio	Comerio Municipio
		Carolina Municipio	Catano Municipio	Fajardo Municipio	Florida Municipio
		Corozal Municipio	Dorado Municipio	Juncoas Municipio	Las Piedras Municipio
		Guaynabo Municipio	Humacao Municipio	Manati Municipio	Morovis Municipio
		Loiza Municipio	Luquillo Municipio	Rio Grande Municipio	San Juan Municipio
		Naguabo Municipio	Naranjito Municipio	Trujillo Alto Municipio	Vega Alta Municipio
		Toa Alta Municipio	Toa Baja Municipio		
		Vega Baja Municipio	Yabucoa Municipio		

**2005 IRS SECTION 42(d)(5)(C) NONMETROPOLITAN DIFFICULT DEVELOPMENT AREAS  
(MSA/PMSA DEFINITIONS June 30, 1999)**

**State Nonmetropolitan Counties or County Equivalents**

**Alabama** Pike County

<b>Alaska</b>	Bethel Census Area Haines Borough Kodiak Island Borough North Slope Borough Wrangell-Petersburg Census Area	Denali Borough Juneau City and Borough Lake and Peninsula Borough Northwest Arctic Borough	Dillingham Census Area Kenai Peninsula Borough Matanuska-Susitna Borough Sitka City and Borough	Fairbanks North Star Borough Ketchikan Gateway Borough Nome Census Area Valdez-Cordova Census Area
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<b>Arizona</b>	Apache County Greenlee County Yavapai County	Cochise County La Paz County	Gila County Navajo County	Graham County Santa Cruz County
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<b>California</b>	Amador County Glenn County Kings County Mendocino County San Benito County Trinity County	Calaveras County Humboldt County Lake County Modoc County Sierra County Tuolumne County	Colusa County Imperial County Lassen County Mono County Siskiyou County	Del Norte County Inyo County Mariposa County Nevada County Tehama County
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<b>Colorado</b>	Archuleta County San Miguel County	Garfield County Summit County	La Plata County	Pitkin County
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**2005 IRS SECTION 42(d)(5)(C) NONMETROPOLITAN DIFFICULT DEVELOPMENT AREAS  
(MSA/PMSEA DEFINITIONS June 30, 1999)**

State	Nonmetropolitan Counties or County Equivalents			
Connecticut	LITCHFIELD COUNTY (part) towns of	Canaan town	Cornwall town	
	Goshen town	Kent town	Morris town	
	Norfolk town	North Canaan town	Sharon town	
	Torrington town	Warren town		
	MIDDLESEX COUNTY (part) towns of	Chester town	Essex town	
	Westbrook town			
Delaware	Sussex County			
Florida	Calhoun County	Citrus County	Columbia County	DeSoto County
	Dixie County	Franklin County	Glitchrist County	Glades County
	Gulf County	Hamilton County	Hardee County	Hendry County
	Highlands County	Holmes County	Indian River County	Jackson County
	Jefferson County	Lafayette County	Levy County	Liberty County
	Madison County	Monroe County	Okeechobee County	Putnam County
	Sumter County	Suwannee County	Taylor County	Union County
	Walton County	Washington County		
Hawaii	Hawaii County	Kalawao County	Kauai County	Maui County
Idaho	Bonner County	Kootenai County		
Kentucky	Harlan County	Knox County	Laurel County	

**2005 IRS SECTION 42(d)(5)(C) NONMETROPOLITAN DIFFICULT DEVELOPMENT AREAS  
(MSA/PMSA DEFINITIONS June 30, 1999)**

State	Nonmetropolitan Counties or County Equivalents			
Maine	ANDROSCOGGIN COUNTY (part) towns of Livermore Falls town	Durham town Minot town	Leeds town	Livermore town
	AROOSTOOK COUNTY CUMBERLAND COUNTY (part) towns of Harpwell town Pownal town Franklin County Lincoln County	Baldwin town Harrison town Sebago town Hancock County Oxford County	Bridgton town Naples town  Kennebec County	Brunswick town New Gloucester town  Knox County
	PENOBSCOT COUNTY (part) towns of Bradley town Charleston town Corinth town East Central Penobscot unorg. Etna town Greenfield town Lagrange town Lincoln town Medway town North Penobscot unorg. Plymouth town Stacyville town Whitney unorg.	Alton town Burlington town Chester town Dexter town East Millinocket town Exeter town Howland town Lakeville town Lowell town Millinocket town Newport town Prentiss plantation Stetson town Winn town	Argyle unorg. Carmel town Clifton town Dixmont town Edinburg town Garland town Hudson town Lee town Mattawamkeag town Mount Chase town Passadumkeag town Seboeis plantation Twombly unorg. Woodville town	Bradford town Carroll plantation Corinna town Drew plantation Enfield town Greenbush town Kingman unorg. Levant town Maxfield town Newburgh town Patten town Springfield town Webster plantation
	PISCATAQUIS COUNTY WALDO COUNTY (part) towns of Burnham town Jackson town Monroe town Palermo town Stockton Springs town Unity town Washington County	Sagadahoc County Belfast city Frankfort town Knox town Montville town Prospect town Swanville town Waldo town	Somerset County Belmont town Freedom town Liberty town Morrill town Searsport town Thorndike town	Brooks town Islesboro town Lincolnville town Northport town Searsport town Troy town

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<b>State</b>					<b>Nonmetropolitan Counties or County Equivalents</b>				
<b>Maine (continued)</b>					YORK COUNTY (part) towns of	Acton town	Alfred town	Arundel town	
					Biddeford city	Cornish town	Dayton town	Kennebunk town	
					Kennebunkport town	Lebanon town	Limerick town	Lyman town	
					Newfield town	North Berwick town	Ogunquit town	Parsonsfield town	
					Saco city	Sanford town	Shapleigh town	Waterboro town	
					Wells town				
<b>Maryland</b>					St. Mary's County	Wicomico County			
<b>Massachusetts</b>					BARNSTABLE COUNTY (part) towns of	Bourne town	Falmouth town	Provincetown town	
					Truro town	Wellfleet town			
					Dukes County				
					FRANKLIN COUNTY (part) towns of	Ashfield town	Barnardston town	Buckland town	
					Charlemont town	Colrain town	Conway town	Deerfield town	
					Erving town	Gill town	Greenfield town	Hawley town	
					Heath town	Leverett town	Leyden town	Monroe town	
					Montague town	New Salem town	Northfield town	Orange town	
					Rowe town	Shelburne town	Shutesbury town	Warwick town	
					Wendell town	Whately town			
					HAMPDEN COUNTY (part) towns of	Blandford town	Brimfield town	Chester town	
					Granville town	Tolland town	Wales town		
					HAMPSHIRE COUNTY (part) towns of	Chesterfield town	Cummington town	Goshen town	
					Middlefield town	Pelham town	Plainfield town	Westhampton town	
					Worthington town				
					Nantucket County				
					WORCESTER COUNTY (part) towns of	Athol town	Hardwick town	Hubbardston town	
					Petersham town	New Braintree town	Phillipston town	Royalston town	
					Warren town				

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<b>State</b>	<b>Nonmetropolitan Counties or County Equivalents</b>			
<b>Michigan</b>	Montcalm County			
<b>Minnesota</b>	Kanabec County			
<b>Mississippi</b>	Bolivar County	Coahoma County	Issaquena County	Washington County
<b>Montana</b>	Beaverhead County Carbon County Daniels County Fergus County Golden Valley County Lake County McCone County Petroleum County Powell County Roosevelt County Sweet Grass County Wibaux County	Big Horn County Carter County Dawson County Gallatin County Granite County Liberty County Meagher County Phillips County Prairie County Sanders County Teton County	Blaine County Chouteau County Deer Lodge County Garfield County Hill County Lincoln County Mineral County Pondera County Ravalli County Sheridan County Treasure County	Broadwater County Custer County Fallon County Glacier County Judith Basin County Madison County Musselshell County Powder River County Richland County Silver Bow County Wheatland County
<b>Nevada</b>	Carson City Humboldt County Mineral County	Churchill County Lander County Pershing County	Douglas County Lincoln County White Pine County	Esmeralda County Lyon County

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(MSA/PMSEA DEFINITIONS June 30, 1999)**

<b>State</b>	<b>Nonmetropolitan Counties or County Equivalents</b>			
<b>New Hampshire</b>	Belknap County HILLSBOROUGH COUNTY (part) towns of Frances town Lyndeborough town Temple town MERRIMACK COUNTY (part) towns of Bradford town Danbury town Henniker town Newbury town Pittsfield town Webster town ROCKINGHAM COUNTY (part) towns of STRAFFORD COUNTY (part) towns of	Carroll County Antrim town Greenfield town New Boston town Windsor town Andover town Canterbury town Dunbarton town Hill town New London town Salisbury town Wilnot town Deerfield town Middleton town	Cheshire County Bennington town Hancock town Peterborough town  Boscawen town Chichester town Epsom town Hopkinton town Northfield town Sutton town  Northwood town New Durham town	Grafton County Deering town Hillsborough town Sharon town  Bow town Concord city Franklin city Loudon town Pembroke town Warner town  Nottingham town Strafford town
<b>New Mexico</b>	Catron County DeBaca County McKinley County Rio Arriba County Socorro County	Chaves County Grant County Mora County Roosevelt County Taos County	Cibola County Guadalupe County Otero County San Miguel County	Curry County Luna County Quay County Sierra County
<b>New York</b>	Columbia County Hamilton County Sullivan County	Cortland County Jefferson County Tompkins County	Essex County Otsego County Ulster County	Greene County Schuyler County
<b>North Carolina</b>	Cleveland County Watauga County	Jackson County	Pender County	Rutherford County

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<b>State</b>	<b>Nonmetropolitan Counties or County Equivalents</b>			
<b>Ohio</b>	Athens County			
<b>Oklahoma</b>	Payne County			
<b>Oregon</b>	Baker County Curry County Harney County Klamath County Malheur County Wheeler County	Clatsop County Deschutes County Hood River County Lake County Union County	Coos County Douglas County Jefferson County Linn County Wallowa County	Crook County Grant County Josephine County Linn County Wasco County
<b>Pennsylvania</b>	Monroe County	Union County	Wayne County	
<b>Rhode Island</b>	NEWPORT COUNTY (part) towns of WASHINGTON COUNTY (part) towns of	Middleton town New Shoreham town	Newport city	Portsmouth town
<b>South Dakota</b>	Butte County	Lawrence County	Meade County	
<b>Texas</b>	Aransas County Reagan County	Camp County Val Verde County	Nacogdoches County Yoakum County	Navarro County
<b>Utah</b>	Cache County Washington County	Daggett County	Iron County	Tooele County

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State	Nonmetropolitan Counties or County Equivalents			
Vermont	Addison County	Bennington County		
	FRANKLIN COUNTY (part) towns of	Bakersfield town	Berkshire town	Enosburg town
	Fairfield town	Fletcher town	Franklin town	Highgate town
	Montgomery town	Richford town	Sheldon town	
	Lamoille County	Orange County	Rutland County	Windham County
	Windsor County			
Virginia	Caroline County	Cumberland County	Orange County	Westmoreland County
Washington	Clallam County Skagit County	Grays Harbor County	Mason County	San Juan County

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<b>State</b>	<b>Nonmetropolitan Counties or County Equivalents</b>			
<b>American Samoa</b>	Eastern District	Manu'a District	Swains Island	Western District
<b>Guam</b>	Guam			
<b>Northern Mariana Islands</b>	Northern Islands Municipality	Rota Municipality	Saipan Municipality	Tinian Municipality
<b>Puerto Rico</b>	Adjuntas Municipio Ciales Municipio Guayama Municipio Lares Municipio Orocovis Municipio Salinas Municipio Vieques Municipio	Aibonito Municipio Coamo Municipio Isabela Municipio Las Marias Municipio Patillas Municipio San Sebastian Municipio	Arroyo Municipio Culebra Municipio Jayuya Municipio Maricao Municipio Quebradillas Municipio Santa Isabel Municipio	Barranquitas Municipio Guanica Municipio Lajas Municipio Maunabo Municipio Rincon Municipio Utua Municipio
<b>Virgin Islands</b>	St. Croix	St. John	St. Thomas	