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Part III

Department of Housing and Urban Development

**Statutorily Mandated Designation of
Difficult Development Areas for Section
42 of the Internal Revenue Code of 1986:
Supplemental Designation Under the Gulf
Opportunity Zone Act of 2005; Notice**

**DEPARTMENT OF HOUSING AND
URBAN DEVELOPMENT**

[Docket No. FR-4889-N-06]

**Statutorily Mandated Designation of
Difficult Development Areas for
Section 42 of the Internal Revenue
Code of 1986: Supplemental
Designation Under the Gulf
Opportunity Zone Act of 2005**

AGENCY: Office of the Secretary, HUD.

ACTION: Notice.

SUMMARY: This document designates "Difficult Development Areas" (DDAs) 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) as amended by the Gulf Opportunity Zone Act of 2005 (Pub. L. 109-135; the GO Zone Act). The United States Department of Housing and Urban Development (HUD) makes new Difficult Development Area designations annually and is making a supplemental designation at this time because of changes in the program enacted in the GO Zone Act. The designations of "Qualified Census Tracts" (QCTs) 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, contact Kurt G. Usowski, Associate Deputy Assistant Secretary for Economic Affairs, Office of Policy Development and Research, Department of Housing and Urban Development, 451 Seventh Street, SW., Washington, DC 20410-6000, telephone (202) 708-2770, or send e-mail to Kurt_G_Usowski@hud.gov. For specific legal questions pertaining to Section 42, contact 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) 622-4753. For questions about the "HUB Zones" program, contact Michael P. McHale, Assistant Administrator for Procurement Policy, Office of Government Contracting, Small Business Administration, 409 Third Street, SW., Suite 8800, Washington, DC 20416, telephone (202) 205-8885, fax (202) 205-7167, or send e-mail to 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 DDAs and QCTs are available electronically on the Internet at <http://www.huduser.org/datasets/qct.html>.

SUPPLEMENTARY INFORMATION:

This Document

This notice designates DDAs 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 DDAs in this notice are based on final Fiscal Year (FY) 2005 Fair Market Rents (FMRs), 2005 income limits, and 2000 Census population counts as explained below. HUD is making a supplemental designation at this time because of changes in the program enacted in the GO Zone Act. Specifically, the GO Zone Act provides that areas determined by the President to warrant individual or individual and public assistance from the Federal Government under the Robert T. Stafford Disaster Relief and Emergency Assistance Act by reason of Hurricanes Katrina, Rita, or Wilma shall be treated as DDAs designated under subclause (I) of Internal Revenue Code section 42(d)(5)(C)(iii) (i.e., areas designated by the Secretary of HUD as having high construction, land, and utility costs relative to area median gross income (AMGI)), and shall not be taken into account for purposes of applying the limitation under subclause (II) of such section (i.e., the 20 percent cap on the total population of designated areas). This notice lists the affected areas described in the GO Zone Act. Some of the areas made DDAs under the GO Zone Act were designated as DDAs for 2006 on the basis of having high housing cost relative to income. When their populations are exempted from the computation of total population in areas previously designated as DDAs for 2006, this population falls well below the statutory 20 percent cap. Therefore, this notice designates additional 2006 DDAs where the Secretary of HUD finds that construction, land, and utility costs are high relative to AMGI. The designations of QCTs 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 DDAs. 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, and OMB Bulletin No. 05-02 on February 22, 2005. The FY2005 FMRs and 2005 income limits used to designate DDAs 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 DDAs, "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 DDAs and QCTs by section 42(d)(5)(C) of the Code. In order to assist in understanding HUD's mandated designation of DDAs and QCTs 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 on 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 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 on 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's "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 DDAs or designated QCTs, eligible basis can be increased by up to 130 percent from 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 DDA 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 DDAs 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.

The GO Zone Act provides that areas determined by the President to warrant individual or individual and public assistance from the Federal Government under the Robert T. Stafford Disaster Relief and Emergency Assistance Act by reason of Hurricanes Katrina, Rita, or Wilma shall be treated as DDAs designated under subclause (I) of Internal Revenue Code section 42(d)(5)(C)(iii) (*i.e.*, areas designated by the Secretary of HUD as having high construction, land, and utility costs relative to AMGI), and shall not be taken into account for purposes of applying the limitation under subclause (II) of such section (*i.e.*, the 20 percent cap on the total population of designated areas). This notice lists the affected areas described in the GO Zone Act. Some of the areas designated DDAs under the GO Zone Act were designated 2006 DDAs in a notice published August 22, 2005 on the basis of having high construction, land, and utility costs relative to AMGI. When GO Zone Act DDAs' populations are exempted from the computation of total population in areas previously designated as DDAs for 2006, this population falls well below the statutory 20 percent cap. Therefore, this notice designates additional 2006 DDAs where the Secretary of HUD finds that construction, land, and utility costs are high relative to AMGI.

Explanation of HUD Designation Methodology

A. Difficult Development Areas

This notice lists all areas determined by the President to warrant individual or individual and public assistance from the Federal Government under the Robert T. Stafford Disaster Relief and Emergency Assistance Act by reason of Hurricanes Katrina, Rita, or Wilma as DDAs according to lists of counties and parishes from the Federal Emergency Management Agency Web site (<http://www.fema.gov/>) as of January 27, 2006. Affected metropolitan areas and nonmetropolitan areas are assigned the indicator "[GO Zone]" in the lists of DDAs.

In developing the list of the remaining DDAs, 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 DDA designations on data from the preceding year, the basis for these comparisons was the 2005 HUD income limits for Very Low-Income households (Very Low Income Limits, or VLILs) and final FY2005 FMRs used for the Section 8 Housing Choice Voucher program. The procedure used in making the DDA calculations follows:

1. For each MSA/PMSA and each nonmetropolitan area, a ratio was calculated. This calculation used the final FY2005 two-bedroom FMR and the 2005 four-person VLIL.

a. The numerator of the ratio was the area's final FY2005 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 was 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 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 DDAs are those metropolitan areas and nonmetropolitan areas *not* in areas determined by the President to

warrant individual or individual and public assistance from the Federal Government under the Robert T. Stafford Disaster Relief and Emergency Assistance Act by reason of Hurricanes Katrina, Rita, or Wilma 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 DDAs, HUD applied caps, or limitations, as noted above. The cumulative population of metropolitan DDAs *not* in areas determined by the President to warrant individual or individual and public assistance from the Federal Government under the Robert T. Stafford Disaster Relief and Emergency Assistance Act by reason of Hurricanes Katrina, Rita, or Wilma cannot exceed 20 percent of the cumulative population of all metropolitan areas and the cumulative population of nonmetropolitan DDAs *not* in areas determined by the President to warrant individual or individual and public assistance from the Federal Government under the Robert T. Stafford Disaster Relief and Emergency Assistance Act by reason of Hurricanes Katrina, Rita, or Wilma 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 DDAs, 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 DDAs.

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.

In addition, Waller County, TX, part of the Houston, TX PMSA, is not an area determined by the President to warrant individual or individual and public assistance from the Federal Government under the Robert T. Stafford Disaster Relief and Emergency Assistance Act by reason of Hurricanes Katrina, Rita, or Wilma. It is therefore excluded from the definition of the Houston, TX PMSA

and is assigned the FMR and VLIL of the Houston, TX PMSA and evaluated as if it were a separate metropolitan area for purposes of designating DDAs.

MSAs/PMSAs affected by geographic definition changes are assigned the indicator "(part)" in the list of Metropolitan DDAs. Any of the excluded counties designated as DDAs 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 DDA, only that part of the county (the group of MCDs) not included in any MSA/PMSA is the Nonmetropolitan DDA. Affected counties are assigned the indicator "(part)" in the list of Nonmetropolitan DDAs.

For the convenience of readers of this notice, the geographical definitions of designated Metropolitan DDAs and the MCDs included in partial-county Nonmetropolitan DDAs in the New England states are included in the list of DDAs.

Future Designations

DDAs are designated annually as updated income and FMR data become available.

Effective Date

For DDAs designated by reason of being in areas determined by the President to warrant individual or individual and public assistance from the Federal Government under the Robert T. Stafford Disaster Relief and Emergency Assistance Act by reason of Hurricanes Katrina, Rita, or Wilma (the GO Zone Designation), the designation is effective: (1) For housing credit dollar amounts allocated and buildings placed in service during the period beginning on January 1, 2006, and ending on December 31, 2008; or (2) for purposes of section 42(h)(4)(B) of the Code, for buildings placed in service during the period beginning on January 1, 2006, and ending on December 31, 2008, but only with respect to bonds issued after December 31, 2005.

The 2006 lists of DDAs that are not part of the GO Zone Designation are effective: (1) For allocations of credit after December 31, 2005; 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, 2005. If an area is not on a subsequent list of DDAs, the 2006 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 QCTs 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 2006 and subsequent designations of DDAs also applies to the designations of QCTs published December 12, 2002 (67 FR 76451), as supplemented on December 19, 2003 (68 FR 70982), and subsequent designations of QCTs.

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 DDA status. The term "regular DDA" as used below refers to DDAs that are designated by the Secretary of HUD as having high construction, land, and utility costs relative to AMGI. The term "GO Zone DDA" refers to areas determined by the President to warrant individual or individual and public assistance from the Federal Government under the Robert T. Stafford Disaster Relief and Emergency Assistance Act by reason of Hurricanes Katrina, Rita, or Wilma. The examples covering "regular DDAs" are equally applicable to future QCT designations.

(Case A) Project "A" is located in a 2006 regular DDA that is NOT a designated regular DDA in 2007. An

application for tax credits for Project "A" is filed with the allocating agency November 15, 2006, which the credit-allocating agency certifies in writing as complete. Credits are allocated to Project "A" on October 30, 2007. Project "A" IS eligible for the increase in basis accorded a project in a 2006 regular DDA because the application was filed BEFORE January 1, 2007 (the assumed effective date for the 2007 regular DDA 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 2006 regular DDA that is NOT a designated regular DDA in 2007. An application for tax credits for Project "B" is filed with the allocating agency December 1, 2006, which the credit-allocating agency certifies in writing as complete. Credits are allocated to Project "B" on March 30, 2008. Project "B" IS NOT eligible for the increase in basis accorded a project in a 2006 regular DDA because, although the application for an allocation of tax credits was filed BEFORE January 1, 2007 (the assumed effective date of the 2007 regular DDA 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 2006 regular DDA that was not a DDA in 2005. Project "C" was placed in service November 15, 2005. An application for tax-exempt bond financing for Project "C" is filed with the bond-issuing agency on January 15, 2006, which the bond-issuing agency certifies in writing as complete. The bonds that will support the permanent financing of Project "C" are issued September 30, 2006. Project "C" IS NOT eligible for the increase in basis otherwise accorded a project in a 2006 DDA because the project was placed in service BEFORE January 1, 2006.

(Case D) Project "D" is located in an area that is a regular DDA in 2006, but IS NOT a regular DDA in 2007. An application for tax-exempt bond financing for Project "D" is filed with the bond-issuing agency on October 30, 2006, which the bond-issuing agency certifies in writing as complete. Bonds are issued for Project "D" on April 30, 2007, but Project "D" is not placed in service until January 30, 2008. Project "D" is eligible for the increase in basis available to projects located in 2006 regular DDAs 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, 2007, 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 regular DDA.

(Case E) Project "E" is located in a GO Zone DDA. The bonds used to finance project "E" are issued July 1, 2008, and project "E" is placed in service July 1, 2009. Project "E" is NOT eligible for the increase in basis available to projects in GO Zone DDAs because it was not placed in service during the period beginning on January 1, 2006, and ending on December 31, 2008.

(Case F) Project "F" is located in a GO Zone DDA. The bonds used to finance project "F" were issued July 1, 2005, and project "F" is placed in service July 1, 2006. Project "F" is NOT eligible for the increase in basis available to projects in GO Zone DDAs because the bonds used to finance project "F" were issued BEFORE December 31, 2005.

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" 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: February 16, 2006.

Darlene Williams,

*Assistant Secretary for Policy Development
and Research.*

BILLING CODE 4210-67-P

2006 IRS SECTION 42(d)(5)(C) METROPOLITAN DIFFICULT DEVELOPMENT AREAS (MSA/PMSA DEFINITIONS June 30, 1999)

State	Metropolitan Area	Metropolitan Area Components
Alabama	Mobile, AL MSA [GO Zone]	Baldwin County Mobile County
	Tuscaloosa, AL MSA [GO Zone]	Tuscaloosa County
Arizona	Flagstaff, AZ-UT MSA (part)	Cocconino County
	Las Vegas, NV-AZ MSA	Mohave County
	Yuma, AZ MSA	Yuma County
California	Los Angeles-Long Beach, CA PMSA	Los Angeles County
	Oakland, CA PMSA	Alameda County Contra Costa County
	Orange County, CA PMSA	Orange County
	Sacramento, CA PMSA	El Dorado County Placer County Sacramento County
	Salinas, CA MSA	Monterey County
	San Diego, CA MSA	San Diego County
	San Luis Obispo-Atascadero-Paso Robles, CA MSA	San Luis Obispo 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
	Ventura, CA PMSA	Ventura County
	Yolo, CA PMSA	Yolo County
	Daytona Beach, FL MSA	Flagler County Volusia County
	Fort Lauderdale, FL PMSA [GO Zone]	Broward County
	Fort Myers-Cape Coral, FL MSA [GO Zone]	Lee County
	Fort Pierce-Port St. Lucie, FL MSA [GO Zone]	Martin County St. Lucie County
	Melbourne-Titusville-Palm Bay, FL MSA [GO Zone]	Brevard County
	Miami, FL PMSA [GO Zone]	Miami-Dade County
	Naples, FL MSA [GO Zone]	Collier County
	Orlando, FL MSA	Lake County Orange County Seminole County
Tampa-St. Petersburg-Clearwater, FL MSA	Hernando County Hillsborough County Pasco County Pinellas County	
West Palm Beach-Boca Raton, FL MSA [GO Zone]	Palm Beach County	
Hawaii	Honolulu, HI MSA	Honolulu County

Metropolitan DDAs labeled "[GO Zone]" are designated under the Gulf Opportunity Zone Act of 2005. Their populations do not count against the 20 percent population cap on metropolitan areas designated DDAs by reason of high construction, land, and utility costs relative to AMGI.

2006 IRS SECTION 42(d)(5)(C) METROPOLITAN DIFFICULT DEVELOPMENT AREAS (MSA/PMSA DEFINITIONS June 30, 1999)

State	Metropolitan Area	Metropolitan Area Components
Louisiana	Baton Rouge, LA MSA [GO Zone]	Ascension Parish
	Houma, LA MSA [GO Zone]	Lafourche Parish
	Lafayette, LA MSA [GO Zone]	Acadia Parish
	Lake Charles, LA MSA [GO Zone]	Calcasieu Parish
	New Orleans, LA MSA [GO Zone]	Jefferson Parish
		St. Charles Parish
		Buxton town
		Falmouth town
		Hollis town
		Old Orchard Beach town
Maine	Portland, ME MSA	South Portland city
		Yarmouth town
		Barnstable city
		Easitham town
		Sandwich town
		Buxton town
		Freeport town
		Limington town
		Portland city
		Standish town
Massachusetts	Barnstable-Yarmouth, MA MSA	Yarmouth town
		Barnstable city
		Easitham town
		Sandwich town
		Brewster town
		Harwich town
		Yarmouth town
		Chatham town
		Mashpee town
		Yarmouth town
		West Baton Rouge Parish
		Livingston Parish
		St. Landry Parish
		Plaquemines Parish
		St. John the Baptist Parish
		Casco town
		Gorham town
		Long Island town
		Raymond town
		Westbrook city
		Cumberland town
		Gray town
		North Yarmouth town
		Scarborough town
		Windham town
		Dennis town
		Orleans town
		Chatham town
		Mashpee town
		Yarmouth town

Metropolitan DDAs labeled "[GO Zone]" are designated under the Gulf Opportunity Zone Act of 2005. Their populations do not count against the 20 percent population cap on metropolitan areas designated DDAs by reason of high construction, land, and utility costs relative to AMGI.

2006 IRS SECTION 42(d)(5)(C) METROPOLITAN DIFFICULT DEVELOPMENT AREAS (MSA/PMSA DEFINITIONS June 30, 1999)

State	Metropolitan Area	Metropolitan Area Components
Massachusetts	Boston, MA-NH PMSA	
(continued)		
		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 city
		Somerville city
		Stow town
		Topsfield town
		Walpole town
		Wayland town
		Westwood town
		Winthrop 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
		Manchester-by-the-Sea town
		Marshfield town
		Medway town
		Millford 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
		Weston town
		Winchester town
		Wilmington town
		Wrentham town
		Amesbury town
		Bedford town
		Berlin town
		Boston city
		Burlington town
		Carver town
		Danvers town
		Duxbury town
		Essex town
		Franklin city
		Harvard town
		Hopevale town
		Ipswich town
		Lincoln town
		Malden city
		Marborough 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
		Wenham town
		Wilmington town
		Wrentham town

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2006 IRS SECTION 42(d)(5)(C) METROPOLITAN DIFFICULT DEVELOPMENT AREAS (MSA/PM SA DEFINITIONS June 30, 1999)

State	Metropolitan Area	Metropolitan Area Components
Massachusetts (continued)	Brockton, MA PMSA	Abington town Avon town Bridgewater town Brockton city
		East Bridgewater town Easton town Halifax town Hanson town
		Lakeville town Middleborough town Plympton town Raynham town
		West Bridgewater town Whitman town
Mississippi	Biloxi-Gulfport-Pascagoula, MS MSA [GO Zone]	Hancock County Harrison County Jackson County
	Hattiesburg, MS MSA [GO Zone]	Forrest County Lamar County
	Jackson, MS MSA [GO Zone]	Hinds County Madison County Rankin County
	Las Vegas, NV-AZ MSA	Clark County Nye County
New Hampshire	Boston, MA-NH PMSA	Seabrook town South Hampton town
	Jersey City, NJ PMSA	Hudson County
New Jersey	Vineland-Millville-Bridgeton, NJ PMSA	Cumberland County
	New York, NY PMSA	Bronx County Kings County Richmond County Queens County Westchester County
New York	Newburgh, NY-PA PMSA	Orange County
	Newburgh, NY-PA PMSA	Pike County
Pennsylvania	Beaumont-Port Arthur, TX MSA [GO Zone]	Hardin County Jefferson County Orange County
	Brazoria, TX PMSA [GO Zone]	Brazoria County
Texas	Corpus Christi, TX MSA	Nueces County San Patricio County
	Galveston-Texas City, TX PMSA [GO Zone]	Galveston County
	Houston, TX PMSA (part) [GO Zone]	Chambers County Fort Bend County Harris County Liberty County
	McAllen-Edinburg-Mission, TX MSA	Montgomery County
Virginia	Clarke County, VA HUD Metro FMR Area	Hidalgo County Clarke County
	Aguadilla, PR MSA	Aguada Municipio Moca Municipio
Puerto Rico	Caguas, PR PMSA	Caguas Municipio Cidra Municipio Gurabo Municipio
	Mayaguez, PR MSA	San Lorenzo Municipio Cabo Rojo Municipio Hormigueros Municipio Mayaguez Municipio

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2006 IRS SECTION 42(d)(5)(C) NONMETROPOLITAN DIFFICULT DEVELOPMENT AREAS (MSA/PMSA DEFINITIONS June 30, 1999)

State	Nonmetropolitan Counties or County Equivalents			
Alabama	Choctaw County [GO Zone]	Clarke County [GO Zone]	Greene County [GO Zone]	Hale County [GO Zone]
	Marengo County [GO Zone]	Pickens County [GO Zone]	Sumter County [GO Zone]	Washington County [GO Zone]
Alaska	Aleutians East Borough	Aleutians West Census Area	Bethel Census Area	Bristol Bay Borough
	Dillingham Census Area	Fairbanks North Star Borough	Haines Borough	Juneau City and Borough
	Ketchikan Gateway Borough	Kodiak Island Borough	Lake and Peninsula Borough	Nome Census Area
	North Slope Borough	Northwest Arctic Borough	Prince of Wales-Outer Ketchikan Census Area	Sitka City and Borough
	Skagway-Hoonah-Angoon Census Area	Southeast Fairbanks Census Area	Valdez-Cordova Census Area	Wade Hampton Census Area
Arizona	Wrangell-Petersburg Census Area	Yakutat City and Borough	Yukon-Koyukuk Census Area	
	Apache County	Cochise County	Gila County	Graham County
	Greenlee County	La Paz County	Navajo County	Santa Cruz County
Yavapai County				
	Baxter County	Carroll County	Cleburne County	Drew County
Arkansas	Garland County	Hempstead County	Lafayette County	Mississippi County
	Montgomery County	Nevada County	Pike County	St. Francis County
California	Amador County	Colusa County	Del Norte County	Glenn County
	Humboldt County	Imperial County	Kings County	Lake County
	Lassen County	Mariposa County	Mendocino County	Modoc County
	Mono County	Nevada County	Plumas County	San Benito County
	Sierra County	Siskiyou County	Tehama County	Trinity County
	Tuolumne County			
	Archuleta County	Clear Creek County	Custer County	Dolores County
	Eagle County	Garfield County	Gunnison County	Hinsdale County
	Jackson County	La Plata County	Lake County	Mineral County
	Ouray County	Park County	Pitkin County	Rio Blanco County
Routt County	San Juan County	San Miguel County	Summit County	
Teller County				
Colorado	Citrus County	Columbia County	DeSoto County	Glades County [GO Zone]
	Hardee County	Hendry County [GO Zone]	Highlands County	Indian River County [GO Zone]
	Monroe County [GO Zone]	Okeechobee County [GO Zone]	Walton County	
	Gilmer County	Hall County	Towns County	
Hawaii	Hawaii County	Kalawao County	Kauai County	Maui County
	Benewah County	Bonner County	Boundary County	Camas County
Idaho	Cassia County	Gem County	Gooding County	Idaho County
	Jerome County	Kootenai County	Lincoln County	Twin Falls County

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2006 IRS SECTION 42(d)(5)(C) NONMETROPOLITAN DIFFICULT DEVELOPMENT AREAS (MSA/PMSA DEFINITIONS June 30, 1999)

State	Nonmetropolitan Counties or County Equivalents			
Kentucky	Butler County	Fulton County		
	McLean County	Nicholas County		
	Powell County	Simpson County		
Louisiana	Allen Parish [GO Zone]	Beauregard Parish [GO Zone]	Bienville Parish	
	Cameron Parish [GO Zone]	East Feliciana Parish [GO Zone]	Iberia Parish [GO Zone]	
	Iberville Parish [GO Zone]	Jefferson Davis Parish [GO Zone]	Pointe Coupee Parish [GO Zone]	
	Red River Parish	Sabine Parish [GO Zone]	St. Mary Parish [GO Zone]	
	Tangipahoa Parish [GO Zone]	Vermilion Parish [GO Zone]	Washington Parish [GO Zone]	
	West Feliciana Parish [GO Zone]			
	Maine	CUMBERLAND COUNTY (part) towns of	Bridgton town	Brunswick town
		Harpswell town	Harrison town	New Gloucester town
		Pownal town	Sebago town	
		Hancock County	Knox County	Piscataquis County
Sagadahoc County				
WALDO COUNTY (part) towns of		Belfast city	Brooks town	
Burnham town		Frankfort town	Islesboro town	
Jackson town		Knox town	Lincolnville town	
Monroe town		Montville town	Northport town	
Palermo town		Prospect town	Searsport town	
Stockton Springs town		Swarville town	Troy town	
Unity town		Waldo town		
YORK COUNTY (part) towns of		Acton town	Arundel town	
Biddeford city		Cornish town	Kennebunk town	
Kennebunkport town		Lebanon town	Lyman town	
Newfield town		North Berwick town	Parsonsfield town	
Saco city		Sanford town	Waterboro town	
Wells town				
Massachusetts		BARNSTABLE COUNTY (part) towns of	Falmouth town	Provincetown town
		Truro town	Bourne town	
		Dukes County	Wellfleet town	
		HAMPSHIRE COUNTY (part) towns of	Chesterfield town	Goshen town
		Middlefield town	Pelham town	Westhampton town
	Worthington town			
	Nantucket County			

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2006 IRS SECTION 42(d)(5)(C) NONMETROPOLITAN DIFFICULT DEVELOPMENT AREAS (MSA/PMSA DEFINITIONS June 30, 1999)

State	Nonmetropolitan Counties or County Equivalents			
Michigan	Benzie County	Ossego County		
	Grand Traverse County	Attauta County [GO Zone]		
Mississippi	Adams County [GO Zone]	Choctaw County [GO Zone]	Benton County	
	Bolivar County	Chickasaw County	Claiborne County [GO Zone]	
	Clarke County [GO Zone]	Coahoma County	Covington County [GO Zone]	
	Franklin County [GO Zone]	George County [GO Zone]	Holmes County [GO Zone]	
	Humphreys County [GO Zone]	Issaquena County	Jefferson County [GO Zone]	
	Jefferson Davis County [GO Zone]	Jones County [GO Zone]	Lafayette County	
	Lauderdale County [GO Zone]	Lawrence County [GO Zone]	Leflore County	
	Lincoln County [GO Zone]	Lowndes County [GO Zone]	Marshall County	
	Neshoba County [GO Zone]	Newton County [GO Zone]	Oktibbeha County [GO Zone]	
	Panola County	Pearl River County [GO Zone]	Pike County [GO Zone]	
	Quitman County	Scott County [GO Zone]	Simpson County [GO Zone]	
	Smith County [GO Zone]	Stone County [GO Zone]	Tunica County	
	Walthall County [GO Zone]	Warren County [GO Zone]	Wayne County [GO Zone]	
	Wilkinson County [GO Zone]	Winston County [GO Zone]		
	Stone County	Taney County		
	Missouri			
	Montana	Beaverhead County	Gallatin County	Lincoln County
		Madison County	Mineral County	Park County
		Ravalli County		
	Nevada	Carson City	Douglas County	Lyon County
		Storey County		
	New Hampshire	Belknap County	Carroll County	Grafton County
HILLSBOROUGH COUNTY (part) towns of		Antrim town	Deering town	
Francesstown town		Greenfield town	Hillsborough town	
Lyndeborough town		New Boston town	Sharon town	
Temple town		Windsor town		
MERRIMACK COUNTY (part) towns of		Andover town	Bow town	
Bradford town		Canterbury town	Concord city	
Danbury town		Dunbarton town	Franklin city	
Henniker town		Hill town	Loudon town	
Newbury town		New London town	Pembroke town	
Pittsfield town		Salisbury town	Warner town	
Webster town		Wilnot town		
ROCKINGHAM COUNTY (part) towns of		Deerfield town	Nottingham town	
STRAFFORD COUNTY (part) towns of		Middleton town	Stafford town	

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2006 IRS SECTION 42(d)(5)(C) NONMETROPOLITAN DIFFICULT DEVELOPMENT AREAS (MSA/PMSA DEFINITIONS June 30, 1999)

State	Nonmetropolitan Counties or County Equivalents		
New Mexico	Chaves County	Grant County	
	McKinley County	Mora County	
	San Miguel County	Taos County	
New York	Cortland County	Greene County	
	Tompkins County	Ulster County	
North Carolina	Avery County	Chowan County	
	Gates County	Haywood County	
	Jackson County	Jones County	
	Mitchell County	Pasquotank County	
	Scotland County	Tyrrell County	
	Hughes County	Muskegee County	
Oklahoma	Clatsop County	Coos County	
	Deschutes County	Douglas County	
Oregon	Hood River County	Josephine County	
	Morrow County	Tillamook County	
	Monroe County	Wayne County	
Pennsylvania	NEWPORT COUNTY (part) towns of	Middletown	
Rhode Island	Bedford County	Newport city	
South Carolina	Bedford County	Polk County	
Tennessee	Anderson County	Aransas County	
	Camp County	Coleman County	
	Dallam County	Erath County	
	Gillespie County	Jasper County [GO Zone]	
	Kerr County	Lamar County	
	Llano County	Marion County	
	Mills County	Morris County	
	Navarro County	Montague County	
	Red River County	Newton County [GO Zone]	
	San Jacinto County [GO Zone]	Robertson County	
	Trinity County [GO Zone]	San Saba County	
	Beaver County	Tyler County [GO Zone]	
	Millard County	Cache County	
	Sevier County	Plute County	
	Wayne County	Summit County	
	Texas	Anderson County	Polk County
		Camp County	Aransas County
Dallam County		Coleman County	
Gillespie County		Erath County	
Kerr County		Jasper County [GO Zone]	
Llano County		Lamar County	
Mills County		Marion County	
Navarro County		Morris County	
Red River County		Palo Pinto County	
San Jacinto County [GO Zone]		Sabine County [GO Zone]	
Trinity County [GO Zone]		Shelby County [GO Zone]	
Beaver County		Walker County [GO Zone]	
Millard County		Garfield County	
Sevier County	Rich County		
Wayne County	Wasatch County		
Utah	Anderson County	Brown County	
	Camp County	Comanche County	
	Dallam County	Frio County	
	Gillespie County	Kendall County	
	Kerr County	Leon County	
	Llano County	Medina County	
	Mills County	Nacogdoches County [GO Zone]	
	Navarro County	Polk County [GO Zone]	
	Red River County	San Augustine County [GO Zone]	
	San Jacinto County [GO Zone]	Titus County	
	Trinity County [GO Zone]	Walker County [GO Zone]	
	Beaver County	Juab County	
	Millard County	Sanpete County	
Sevier County	Washington County		
Wayne County	Washington County		

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2006 IRS SECTION 42(d)(5)(C) NONMETROPOLITAN DIFFICULT DEVELOPMENT AREAS (MSA/PMSA DEFINITIONS June 30, 1999)

State	Nonmetropolitan Counties or County Equivalents	
Vermont	Addison County	Bennington County
	FRANKLIN COUNTY (part) towns of Fairfield town Montgomery town	Berkshire town Franklin town Sheldon town Isle La Motte town
	GRAND ISLE COUNTY (part) towns of Windham County	Enosburg town Highgate town North Hero town
	Louisa County	Westmoreland County
Virginia	Glenn County	Northampton County
	Kittitas County	Douglas County
	San Juan County	Klickitat County
	Cathoun County	Skagit County
Washington	Pendleton County	Clay County
	Wirt County	Preston County
	Teton County	Manu'a District
	Eastern District	Swains Island
American Samoa	Guam	Western District
	Northern Islands Municipality	Rota Municipality
Puerto Rico	Adjuntas Municipio	Albonito Municipio
	Ciales Municipio	Coamo Municipio
	Guayama Municipio	Isabela Municipio
	Lares Municipio	Las Marias Municipio
	Orocovis Municipio	Patillas Municipio
	Salinas Municipio	San Sebastian Municipio
	Vieques Municipio	St. John
	St. Croix	St. Thomas
	Northern Islands Municipality	Saipan Municipality
	Tinian Municipality	Barranquitas Municipio
Guanica Municipio	Lajas Municipio	
Maunabo Municipio	Rincon Municipio	
Utua Municipio		

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