



Federal Register

**Tuesday,
November 30, 2004**

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;
Notice**

**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. 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. 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 $\frac{1}{2}$ 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)**

| State | Metropolitan Area | Metropolitan Area Components |
|------------|--|---|
| Arizona | Flagstaff, AZ-UT MSA (part) Yuma, AZ MSA | Coconino County, AZ Yuma County |
| California | Los Angeles-Long Beach, CA PMSA Oakland, CA PMSA Orange County, CA PMSA Salinas, CA MSA San Diego, CA MSA San Francisco, CA PMSA San Jose, CA PMSA Santa Barbara-Santa Maria-Lompoc, CA MSA Santa Cruz-Watsonville, CA PMSA Santa Rosa, CA PMSA | Los Angeles County Alameda County Orange County Monterey County San Diego County Marin County Santa Clara County Santa Barbara County Santa Cruz County Sonoma County Contra Costa County San Francisco County San Mateo County |
| Florida | Miami, FL PMSA Tampa-St. Petersburg-Clearwater, FL MSA | Miami-Dade County 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 Sandwich town Acton town Ayer town Berkley town Bolton town Brookline town Carlsle 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 |
| | Boston, MA-NH PMSA | 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 |
| Dennis town Orleans town | Chatham town Mashpee 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 Malden city 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 Wareham town |
| | | Arlington town Bellingham town Beverly city Boxborough town Cambridge city Chelsea city Dedham town Essex town Franklin city Harvard town Hopedale 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 |

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

| State | Metropolitan Area | Metropolitan Area Components | | | |
|------------------------------|--|-------------------------------------|-----------------------|-----------------------|-----------------------|
| 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 | |
| | | San Lorenzo Municipio | | | |
| | Mayaguez, PR MSA | Anasco Municipio | Cabo Rojo Municipio | Hormigueros Municipio | Mayaguez Municipio |
| | | Sabana Grande Municipio | San German Municipio | | |
| | | Agua Buenas Municipio | Barceloneta Municipio | Bayamon Municipio | Canovanas Municipio |
| | San Juan-Bayamon, PR PMSA | Carolina Municipio | Catano Municipio | Bayamon Municipio | Comerio Municipio |
| | | Corozal Municipio | Dorado Municipio | Ceiba Municipio | Florida Municipio |
| | | Guaynabo Municipio | Humacao Municipio | Fajardo Municipio | Las Piedras Municipio |
| | | Loiza Municipio | Luquillo Municipio | Juncos Municipio | Morovis Municipio |
| | | Naguabo Municipio | Naranjito Municipio | Manati Municipio | San Juan Municipio |
| | | Toa Alta Municipio | Toa Baja Municipio | Rio Grande Municipio | Vega Alta Municipio |
| | Vega Baja Municipio | Trujillo Alto 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

Alaska

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

Arizona

Apache County
Greenlee County
Yavapai County

Cochise County
La Paz County

Gila County
Navajo County

Graham County
Santa Cruz County

California

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

Colorado

Archuleta County
San Miguel County

Garfield County
Summit County

La Plata County

Pitkin County

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

State Nonmetropolitan Counties or County Equivalents

| | | | | |
|--------------------|---|--|---|---|
| Connecticut | LITCHFIELD COUNTY (part) towns of Goshen town Norfolk town Torrington town | Canaan town Kent town North Canaan town Warren town Chester town | Colebrook town Litchfield town Salisbury town | Cornwall town Morris town Sharon town |
| | MIDDLESEX COUNTY (part) towns of Westbrook town | | Deep River town | Essex town |

Delaware Sussex County

| | | | | |
|----------------|---|---|--|--|
| Florida | Calhoun County Dixie County Gulf County Highlands County Jefferson County Madison County Sumter County Walton County | Citrus County Franklin County Hamilton County Holmes County Lafayette County Monroe County Suwannee County Washington County | Columbia County Gilchrist County Hardee County Indian River County Levy County Okeechobee County Taylor County | DeSoto County Glades County Hendry County Jackson County Liberty County Putnam County Union County |
|----------------|---|---|--|--|

Hawaii Hawaii County Kalawao 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

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

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

State Nonmetropolitan Counties or County Equivalents

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

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

State Nonmetropolitan Counties or County Equivalents

Michigan Montcalm County

Minnesota Kanabec County

Mississippi Bolivar County

Coahoma County

Issaquena County

Washington County

Montana 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

Nevada Carson City
Humboldt County
Mineral County

Churchill County
Lander County
Pershing County

Douglas County
Lincoln County
White Pine County

Esmeralda County
Lyon County

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

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

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

State Nonmetropolitan Counties or County Equivalents

Ohio Athens County

Oklahoma Payne County

Oregon Baker County Clatsop County Coos County Crook County
Curry County Deschutes County Douglas County Grant County
Harney County Hood River County Jefferson County Josephine County
Klamath County Lake County Lincoln County Linn County
Malheur County Union County Wallowa County Wasco County
Wheeler County

Pennsylvania Monroe County Wayne County

Rhode Island NEWPORT COUNTY (part) towns of Middleton town Portsmouth town
WASHINGTON COUNTY (part) towns of New Shoreham town

South Dakota Butte County Lawrence County Meade County

Texas Aransas County Camp County Nacogdoches County Navarro County
Reagan County Val Verde County Yoakum County

Utah Cache County Daggett County Iron County Tooele County
Washington County

**2005 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 FRANKLIN COUNTY (part) towns of Fairfield town Montgomery town Lamoille County Windsor County | Bennington County Bakersfield town Fletcher town Richford town Orange County | Berkshire town Franklin town Sheldon town Rutland County | Enosburg town Highgate town Windham County |
| Virginia | Caroline County | Cumberland County | Orange County | Westmoreland County |
| Washington | Clallam County Skagit County | Grays Harbor County | Mason County | San Juan County |

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

| State | | Nonmetropolitan Counties or County Equivalents | | | |
|---------------------------------|--|---|--|---|--|
| American Samoa | Eastern District | Manu'a District | Swains Island | Western District | |
| Guam | Guam | | | | |
| Northern Mariana Islands | Northern Islands Municipality | Rota Municipality | Saipan Municipality | Tinian Municipality | |
| Puerto Rico | 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 | |
| Virgin Islands | St. Croix | St. John | St. Thomas | | |