

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

[Docket No. FR-4889-N-01]

Statutorily Mandated Designation of Difficult Development Areas and Qualified Census Tracts 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" and "Qualified Census Tracts" for purposes of the Low-Income Housing Tax Credit (LIHTC) under section 42 of the Internal Revenue Code of 1986 (the Code). The United States Department of Housing and Urban Development (HUD) makes new Difficult Development Area designations annually and makes Qualified Census Tract Designations at this time due to the recent release of relevant data from the 2000 Census.

FOR FURTHER INFORMATION CONTACT: For questions on how areas are designated and on geographic definitions: 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, e-mail Kurt_G_Usowski@hud.gov. For specific legal questions pertaining to section 42: 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 "HUBZones" 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

The designations of Difficult Development Areas in this notice are based on fiscal year (FY) 2003 Fair Market Rents (FMRs), FY 2003 income limits, and 2000 Census population counts as explained below. 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 Virgin Islands. The designations of Qualified Census Tracts in this notice are based on 2000 Census data. This notice designates Qualified Census Tracts for American Samoa, Guam, and the Northern Mariana Islands. The 2003 Qualified Census Tracts designated for the 50 states, the District of Columbia, Puerto Rico, and the Virgin Islands published December 12, 2002, at 67 FR 76452 are unchanged by this notice.

2000 Census

Data from the 2000 Census on total population of metropolitan areas and nonmetropolitan counties are used in the designation of Difficult Development Areas. The Census Bureau has recently released the data needed to update Qualified Census Tract designations for American Samoa, Guam, and the Northern Mariana Islands, so this notice makes new qualified Census Tract designations in these areas based on 2000 Census data. 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. The Census Bureau has not yet released official data on 1999 median incomes in the newly defined metropolitan areas and nonmetropolitan areas of states. Also, the FY 2003 FMRs and 2003 income limits used to designate Difficult Development Areas are based on the Metropolitan Statistical Areas (MSA) and Primary Metropolitan Statistical Areas (PMSA) definitions established by OMB in OMB Bulletin No. 99-04 on June 30, 1999. Therefore, for the purposes of designating Difficult Development Areas and Qualified Census Tracts "metropolitan areas" will continue to be defined according to the MSA/PMSA definitions established by the OMB in OMB Bulletin No. 99-04 on June 30, 1999, until further notice.

Background

The U.S. Treasury Department and the Internal Revenue Service thereof are authorized to interpret and enforce the provisions of the Code, including the LIHTC found at section 42 of the Code (26 U.S.C. 42). 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 of the Code, a summary of section 42 is provided. The following summary does not purport to bind the Treasury or the IRS in any way, nor does it purport to bind HUD, as HUD has no authority to interpret or administer the Code, except in those instances where it has a specific 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 allocated credit based on a statutory formula indicated at section 42(h)(3). States may carry forward unallocated credit derived from the credit ceiling for one year; if a certain portion of this unallocated credit is not used by then, this portion goes into a national pool to be allocated 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 credit available from the credit ceiling.

The credit allocated to a building is 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 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 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 projects 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 credit 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 credit against the alternative minimum tax. Corporations, other than S or personal service corporations, can use the credit against ordinary income tax. They cannot use the credit against the alternative minimum tax. These corporations can also deduct losses from the project.

The qualified basis represents the product of the "applicable fraction" of the building and the "eligible basis" of the building. 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 capital account 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 Qualified Census Tracts or designated Difficult Development Areas, eligible basis can be increased up to 130 percent of what it would otherwise be. This means that the available credit also can be increased by up to 30 percent. For example, if a 70 percent credit is available, it effectively could be increased up to 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 MSAs/PMSAs may not contain more than 20 percent of the aggregate population of all MSAs/PMSAs, and all designated areas not in metropolitan areas may not contain more than 20 percent of the aggregate population of all nonmetropolitan counties.

Under section 42(d)(5)(C) of the Code, a Qualified Census Tract is any census tract (or equivalent geographic area defined by the Bureau of the Census) in which at least 50 percent of households have an income less than 60 percent of the AMGI or in which the poverty rate is at least 25 percent. There is a limit on the number of Qualified Census Tracts in any MSA or PMSA that may be designated to receive an increase in eligible basis: all of the designated census tracts within a given MSA/PMSA may not together contain more than 20 percent of the total population of the MSA/PMSA. For purposes of HUD designations of Qualified Census Tracts, all nonmetropolitan areas in a state are treated as if they constituted a single metropolitan area.

Explanation of HUD Designation Methodology

A. Qualified Census Tracts

In developing this list of LIHTC Qualified Census Tracts, HUD used 2000 Census data and the MSA/PMSA definitions established by the Office of Management and Budget in OMB Bulletin No. 99-04 on June 30, 1999. The LIHTC Qualified Census Tracts were determined as follows:

1. A census tract must have 50 percent of its households with incomes below 60 percent of the AMGI or have a poverty rate of 25 percent or more to be "eligible." In metropolitan areas, HUD calculates 60 percent of AMGI by multiplying the MSA/PMSA median family income for 1999, as reported by the 2000 Census, by a factor of 0.6. Outside of metropolitan areas, HUD calculates 60 percent of AMGI by multiplying the state-specific, nonmetropolitan balance median family income by a factor of 0.6.

2. For each census tract, the percentage of households below the 60 percent income standard (the income criterion) was determined by (a) calculating the average household size of the census tract, (b) applying the income standard after adjusting it to match the average household size, and (c) calculating the number of

households with incomes below the income standard.

3. For each census tract, the poverty rate was determined by dividing the population with incomes below poverty by the population for whom poverty status has been determined.

4. Qualified Census Tracts are those in which 50 percent or more of the households meet the income criterion or 25 percent or more of the population is in poverty, such that the population of all census tracts that satisfy either one or both of these criteria does not exceed 20 percent of the total population of the respective area.

5. In areas where more than 20 percent of the population resides in eligible census tracts, census tracts are designated as QCTs in accordance with the following procedure:

- a. Eligible tracts are placed in one of two groups. The first group includes tracts that satisfy both the income and poverty criteria. The second group includes tracts that satisfy either the income criterion or the poverty criterion, but not both.

- b. Tracts in the first group are ranked from lowest to highest on the income criterion. Then tracts in the first group are ranked from lowest to highest on the poverty criterion. The two ranks are averaged to yield a combined rank. The tracts are then sorted on the combined rank, with the census tract with the highest combined rank being placed at the top of the sorted list. In cases of tied combined ranks, more populous tracts are ranked above less populous ones.

- c. Tracts in the second group are ranked from lowest to highest on the income criterion. Then tracts in the second group are ranked from lowest to highest on the poverty criterion. The two ranks are then averaged to yield a combined rank. The tracts are then sorted on the combined rank, with the census tract with the highest combined rank being placed at the top of the sorted list. In cases of tied combined ranks, more populous tracts are ranked above less populous ones.

- d. The ranked first group is stacked on top of the ranked second group to yield a single, concatenated, ranked list of eligible census tracts.

- e. Working down the single, concatenated, ranked list of eligible tracts, census tracts are designated until the designation of an additional tract would cause the 20 percent limit to be exceeded. If a census tract is not designated because doing so would raise the percentage above 20 percent, then subsequent census tracts are considered to determine if one or more census tract(s) with smaller population(s) could

be designated without exceeding the 20 percent limit.

B. Difficult Development Areas

In developing the list of Difficult Development Areas, HUD compared incomes with housing costs. HUD used 2000 Census population data and the MSA/PMSA definitions as published by the Office of Management and Budget in OMB Bulletin No. 99-04 on June 30, 1999, with the exceptions described in section D., below. The basis for these comparisons was the FY 2003 HUD income limits for Very Low-Income households and FMRs used for the section 8 Housing Assistance Payments program. The procedure used in making the Difficult Development Area calculations follows:

1. For each MSA/PMSA and each nonmetropolitan county, a ratio was calculated. This calculation used the FY 2003 two-bedroom FMR and the FY 2003 four-person VLIL.

a. The numerator of the ratio was the area's FY 2003 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 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 counties.

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 counties.

C. Application of Population Caps to Difficult Development Area Determinations

In identifying Difficult Development Areas and Qualified Census Tracts, HUD applied various 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 counties.

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 a minimal overrun of the cap. HUD believes the designation of these additional areas is consistent with the intent of the legislation. Some latitude is justifiable because it is impossible to determine whether the 20 percent cap has been exceeded, as long as the apparent excess is small, due to measurement error. Despite the care and effort involved in a decennial census, it is recognized by the Census Bureau, and all users of the data, 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.

D. 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, IL: DeKalb, Grundy, and Kendall Counties.
Cincinnati-Hamilton, OH-KY-IN: Brown County, Ohio; Gallatin, Grant, and Pendleton Counties, Kentucky; and Ohio County, Indiana.
Dallas, TX: Henderson County.
Flagstaff, AZ-UT: Kane County, Utah.
New Orleans, LA: St. James Parish.
Washington, DC-MD-VA-WV: 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 defines 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. Also in the New England states, census tracts may be cut by MSA/PMSA boundaries. Only those LIHTC projects located in the part of the tract in the listed MSA/PMSA or nonmetropolitan area may be allowed the increase in basis. Affected tracts are marked with an asterisk (*) in the list of Qualified Census Tracts.

For the convenience of readers of this notice, the geographic 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 designations are no longer recognized as geographic entities by the Census Bureau. Therefore, no 2000 Census population counts are produced

for these areas. HUD estimates 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° longitude were allocated to the Skagway-Yakutat-Angoon Census Area. The populations of Yakutat City and Borough Census Blocks located west of 141° 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. Qualified Census Tracts are updated periodically to reflect changes in OMB's designations of metropolitan areas. Qualified Census Tracts are not being updated at this time to reflect the recent change in metropolitan area definitions (OMB Bulletin N0. 03-04, June 6, 2003) because the Census Bureau has not yet released official data on median incomes in the newly defined metropolitan areas and nonmetropolitan parts of states. This notice designates Qualified Census Tracts for American Samoa, Guam, and the Northern Mariana Islands based on 2000 Census data. The 2003 Qualified Census Tracts designated for the 50 states, the District of Columbia, Puerto Rico, and the Virgin Islands published December 12, 2002, at 67 FR 76452 are unchanged by this notice.

Effective Date

The lists of Difficult Development Areas and the list of Qualified Census Tracts are effective for allocations of credit made after December 31, 2003. In the case of a building described in section 42(h)(4)(B) of the Code, the lists are effective if the bonds are issued and

the building is placed in service after December 31, 2003.

Interpretive Examples for 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 with respect to projects described in section 42(h)(4)(B) of the Code. The examples are equally applicable to Qualified Census Tract designations.

(Case A) Project "A" is located in a newly designated 2004 Difficult Development Area. Bonds are issued for Project "A" on November 1, 2003, and Project "A" is placed in service March 1, 2004. Project "A" IS NOT eligible for the increase in basis otherwise accorded a project in this location because the bonds were issued BEFORE January 1, 2004.

(Case B) Project "B" is located in a newly designated 2004 Difficult Development Area. Project "B" is placed in service November 15, 2003. The bonds that will support the permanent financing of Project "B" are issued January 15, 2004. Project "B" IS NOT eligible for the increase in basis otherwise accorded a project in this location because the project was placed in service BEFORE January 1, 2004.

(Case C) Project "C" is located in an area that is a Difficult Development Area in 2003, but IS NOT a Difficult Development Area in 2004. Bonds are issued for Project "C" on October 30, 2003, but Project "C" is not placed in service until March 30, 2004. Project "C" is eligible for the increase in basis available to projects located in 2003 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 October 30, 2003, a time when project "C" was located in a Difficult Development Area.

Other Matters

Environmental Impact

In accordance with 40 CFR 1508.4 of the CEQ regulations and 24 CFR 50.19(c)(6) of the HUD regulations, the policies and procedures contained in this notice provide for the establishment

of fiscal requirements or procedures which do not constitute a development decision that affects 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 FONSI is required.

Impact on Small Entities

The Secretary, in accordance with 5 U.S.C. section 605(b) (the Regulatory Flexibility Act), has reviewed and approved this notice, and in so doing certifies that this notice does not have a significant economic impact on a substantial number of small entities. The notice involves the designation of "Difficult Development Areas" and "Qualified Census Tracts" as required by section 42 of the Code, as amended, for use by political subdivisions of the states in allocating the Low-Income Housing Tax Credit. This notice places no new requirements on the states, their political subdivisions, or the applicants for the credit. This notice also details the technical methodology used in making such designations.

Federalism Impact

Executive Order 13132 (entitled "Federalism") prohibits an agency from publishing any rule that has federalism implications if the notice either imposes substantial direct compliance costs on state and local governments and is not required by statute, or the rule preempts state law, unless the agency meets the consultation and funding requirements of section 6 of the Executive Order. As a result, the notice is not subject to review under the order. The 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. The notice also details the technical methodology used in making such designations.

Dated: December 11, 2003.

Mel Martinez,
Secretary.

BILLING CODE 4210-62-P

NONMETROPOLITAN PART OF: American Samoa

COUNTY OR COUNTY EQUIVALENT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT
Eastern District	9501.00	9504.00							
Manu'a District	9517.00	9518.00							
Swains Island	9520.00								
Western District	9510.00	9515.00							

COUNTY OR COUNTY EQUIVALENT TRACT

[illegible]

COUNTY OR COUNTY EQUIVALENT TRACT

Northern Islands Municipality	9501.00				
Saipan Municipality	9507.00	9509.00	9510.00	9511.00	9512.00
					9513.02

2004 IRC Section 42(d)(5)(C) Metropolitan Difficult Development Areas

State	Metropolitan Area Name	Metropolitan Area Components
AZ	Flagstaff, AZ-UT MSA (part)	Cocoonino County
	Yuma, AZ MSA	Yuma County
CA	Los Angeles-Long Beach, CA PMSA	Los Angeles County
	Oakland, CA PMSA	Alameda County
	Sacramento, CA PMSA	El Dorado 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
	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
	Vallejo-Fairfield-Napa, CA PMSA	Napa County
FL	Miami, FL PMSA	Miami-Dade County
	Orlando, FL MSA	Lake County
MA	Barnstable-Yarmouth, MA MSA	BARNSTABLE COUNTY towns of Dennis town Orleans town
		Orange County
		Osceola County
		Seminole County
		Chatham town
		Mashpee town
		Brewster town
		Harwich town
		Yarmouth town
		Barnstable city
		Eastham town
		Sandwich town

2004 IRC Section 42(d)(5)(C) Metropolitan Difficult Development Areas

State	Metropolitan Area Name	Metropolitan Area Components			
MA (cont.)	Boston, MA-NH PMSA				
		BRISTOL COUNTY towns of	Berkley town	Dighton town	Mansfield town
		Norton town	Taunton city		
		ESSEX COUNTY towns of	Amesbury town	Beverly city	Danvers town
		Essex town	Gloucester city	Hamilton town	Ipswich town
		Lynn city	Lynnfield town	Manchester-by-the-Sea town	Marblehead town
		Middleton town	Nahant town	Newbury town	Newburyport city
		Peabody city	Rockport town	Rowley town	Salem city
		Salisbury town	Saugus town	Swampscott town	Topsfield town
		Wenham town			
		MIDDLESEX COUNTY towns of	Acton town	Arlington town	Ashland town
		Ayer town	Bedford town	Belmont town	Boxborough town
		Burlington town	Cambridge city	Carlisle town	Concord town
		Everett city	Framingham town	Holliston town	Hopkinton town
		Hudson town	Lexington town	Lincoln town	Littleton town
		Malden city	Marlborough city	Maynard town	Medford city
		Melrose city	Natick town	Newton city	North Reading town
		Reading town	Sherborn town	Shirley town	Somerville city
		Stoneham town	Stow town	Sudbury town	Townsend town
		Wakefield town	Waltham city	Watertown city	Wayland town
		Weston town	Wilmington town	Winchester town	Woburn city
		NORFOLK COUNTY towns of	Bellingham town	Braintree town	Brookline town
		Canton town	Cohasset town	Dedham town	Dover town
		Foxborough town	Franklin city	Holbrook town	Medfield town
		Medway town	Millis town	Milton town	Needham town
		Norfolk town	Norwood town	Plainville town	Quincy city
		Randolph town	Sharon town	Stoughton town	Walpole town
		Wellesley town	Westwood town	Weymouth town	Wrentham town
		PLYMOUTH COUNTY towns of	Carver town	Duxbury town	Hanover town
		Hingham town	Hull town	Kingston town	Marshfield town
		Norwell town	Pembroke town	Plymouth town	Rockland town
		Scituate town	Wareham town		
		SUFFOLK COUNTY towns of	Boston city	Chelsea city	Revere city
		Winthrop town			
		WORCESTER COUNTY towns of	Berlin town	Blackstone town	Bolton town
		Harvard town	Hopedale town	Lancaster town	Mendon town
		Millis town	Millville town	Southborough town	Upton town
NH	Boston, MA-NH PMSA	ROCKINGHAM COUNTY towns of	Seabrook town	South Hampton town	

2004 IRC Section 42(d)(5)(C) Metropolitan Difficult Development Areas

State	Metropolitan Area Name	Metropolitan Area Components			
NJ	Atlantic-Cape May, NJ PMSA	Atlantic County	Cape May County		
	Jersey City, NJ PMSA	Hudson County			
	Vineland-Millville-Bridgeton, NJ PMSA	Cumberland County			
NY	Dutchess County, NY PMSA	Dutchess County			
	Nassau-Suffolk, NY PMSA	Nassau County	Suffolk County	New York County	Putnam County
	New York, NY PMSA	Bronx County	Kings County	Rockland County	Westchester County
		Queens County	Richmond County		
PR	Aguadilla, PR MSA	Aguada Municipio	Aguadilla Municipio	Moca Municipio	
	Caguas, PR PMSA	Caguas Municipio	Cayey Municipio	Cidra Municipio	Gurabo Municipio
		San Lorenzo Municipio			
	Mayaguez, PR MSA	Anasco Municipio	Cabo Rojo Municipio	Hormigueros Municipio	Mayaguez Municipio
		Sabana Grande Municipio	San German Municipio		
	San Juan-Bayamon, PR PMSA	Aguas Buenas Municipio	Barceloneta Municipio	Bayamon Municipio	Canovanas Municipio
		Carolina Municipio	Catano Municipio	Ceiba Municipio	Comerio Municipio
		Corozal Municipio	Dorado Municipio	Fajardo Municipio	Florida Municipio
		Guaynabo Municipio	Humacao Municipio	Juncos Municipio	Las Piedras Municipio
		Loiza Municipio	Luquillo Municipio	Manati Municipio	Morovis Municipio
		Naguabo Municipio	Naranjito Municipio	Rio Grande Municipio	San Juan Municipio
		Toa Alta Municipio	Toa Baja Municipio	Trujillo Alto Municipio	Vega Alta Municipio
		Vega Baja Municipio	Yabucoa Municipio		

2004 IRC Section 42(d)(5)(C) Nonmetropolitan Difficult Development Areas

State		Nonmetropolitan Counties or County Equivalents	
AK	Bethel Census Area	Dillingham Census Area	Fairbanks North Star Borough
	Juneau Borough	Ketchikan Gateway Borough	Kodiak Island Borough
	Matanuska-Susitna Borough	Nome Census Area	North Slope Borough
	Sitka Borough	Valdez-Cordova Census Area	Wrangell-Petersburg Census Area
AZ	Apache County	Cochise County	Gila County
	La Paz County	Navajo County	Santa Cruz County
AR	Baxter County		
CA	Amador County	Calaveras County	Colusa County
	Glenn County	Humboldt County	Imperial County
	Kings County	Lake County	Lassen County
	Mendocino County	Modoc County	Mono County
	San Benito County	Sierra County	Siskiyou County
	Trinity County	Tuolumne County	
			Del Norte County
CO	Archuleta County	Garfield County	La Plata County
	San Miguel County	Summit County	
CT	LITCHFIELD COUNTY (part) towns of	Canaan town	Colebrook town
	Goshen town	Kent town	Litchfield town
	Norfolk town	North Canaan town	Salisbury town
	Thomaston town	Torrington town	Warren town
	MIDDLESEX COUNTY (part) towns of	Chester town	Deep River town
	Westbrook town		
			Essex town
DE	Sussex County		
FL	Calhoun County	Citrus County	Columbia County
	Dixie County	Franklin County	Glades County
	Gulf County	Hamilton County	Hendry County
	Highlands County	Holmes County	Indian River County
	Jefferson County	Lafayette County	Levy County
	Madison County	Monroe County	Okeechobee County
	Sumter County	Suwannee County	Taylor County
	Walton County	Washington County	
	Hawaii County	Kauai County	Maui County
	Bonner County	Kootenai County	
KY	Harlan County	Knox County	Laurel County

2004 IRC Section 42(d)(5)(C) Nonmetropolitan Difficult Development Areas
State Nonmetropolitan Counties or County Equivalents

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

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State Nonmetropolitan Counties or County Equivalents			
MA	BARNSTABLE COUNTY (part) towns of	Bourne town	Falmouth town
	Truro town	Wellfleet town	Provincetown town
	Dukes County		
	FRANKLIN COUNTY (part) towns of	Ashfield town	Barnardston town
	Charlemont town	Colrain town	Conway town
	Erving town	Gill town	Greenfield town
	Heath town	Leverett town	Leyden town
	Montague town	New Salem town	Northfield town
	Rowe town	Shelburne town	Orange town
	Wendell town	Whately town	Shutesbury town
	HAMPDEN COUNTY (part) towns of	Blandford town	
	Granville town	Tolland town	Brimfield town
	HAMPSHIRE COUNTY (part) towns of	Chesterfield town	Wales town
MN	Middlefield town	Pelham town	Cummington town
	Worthington town		Plainfield town
	Nantucket County		
	WORCESTER COUNTY (part) towns of	Athol town	Goshen town
	New Braintree town	Petersham town	Westhampton town
	Warren town		
	Hubbardston town		
	Royalston town		
MS	Kanabec County		
	Bolivar County	Coahoma County	Issaquena County
	Beaverhead County	Big Horn County	Blaine County
	Carbon County	Carter County	Chouteau County
	Daniels County	Dawson County	Deer Lodge County
	Fergus County	Flathead County	Gallatin County
	Glacier County	Golden Valley County	Granite County
	Lake County	Liberty County	Lincoln County
	Madison County	Meagher County	Mineral County
	Park County	Petroleum County	Phillips County
	Powder River County	Powell County	Prairie County
	Richland County	Roosevelt County	Sanders County
	Silver Bow County	Sweet Grass County	Teton County
MT	Treasure County	Valley County	Wheatland County
	Churchill County	Douglas County	Esmeralda County
	Lincoln County	Lyon County	Mineral County
	White Pine County	Carson County	
NV	Washington County		
	Broadwater County		
	Custer County		
	Fallon County		
	Garfield County		
	Judith Basin County		
	McCone County		
	Musselshell County		
	Pondera County		
	Ravalli County		
	Sheridan County		
	Toole County		
	Wibaux County		
	Humboldt County		
	Pershing County		

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State Nonmetropolitan Counties or County Equivalents			
NH	Belknap County	Carroll County	Cheshire County
	HILLSBOROUGH COUNTY (part) towns of	Antrim town	Bennington town
	Frances town	Greenfield town	Hancock town
	Lyndeborough town	New Boston town	Peterborough town
	Temple town	Windsor town	
	MERRIMACK COUNTY (part) towns of	Andover town	Boscawen town
	Bradford town	Canterbury town	Chichester town
	Danbury town	Dunbarton town	Epsom town
	Henniker town	Hill town	Hopkinton town
	New London town	Newbury town	Northfield town
NM	Pittsfield town	Salisbury town	Sutton town
	Webster town	Wilnot town	
	ROCKINGHAM COUNTY (part) towns of	Deerfield town	Northwood town
	STRAFFORD COUNTY (part) towns of	Middleton town	New Durham town
	Carson County	Chaves County	Cibola County
	DeBaca County	Grant County	Guadalupe County
	Luna County	McKinley County	Mora County
	Quay County	Rio Arriba County	Roosevelt County
	Sierra County	Socorro County	Taos County
	Clinton County	Columbia County	Cortland County
NY	Greene County	Jefferson County	Sullivan County
	Ulster County		Essex County
NC	Cleveland County	Jackson County	Pender County
	Rutherford County	Watauga County	Polk County
OK	Payne County		
OR	Baker County	Clatsop County	Coos County
	Curry County	Deschutes County	Douglas County
	Harney County	Hood River County	Jefferson County
	Klamath County	Lake County	Lincoln County
	Malheur County	Morrow County	Tillamook County
	Wallowa County	Wasco County	Wheeler County
	Monroe County	Union County	Wayne County
	NEWPORT COUNTY (part) towns of	Middletown town	Newport city
	WASHINGTON COUNTY (part) towns of	New Shoreham town	
	Butte County	Lawrence County	Meade County
SD	Aransas County	Camp County	Kleberg County
TX	Reagan County	Val Verde County	Yoakum County
	Cache County	Daggett County	Iron County
UT	Washington County		Tooele County

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State		Nonmetropolitan Counties or County Equivalents	
VT	Addison County	Bennington County	Caledonia County
	FRANKLIN COUNTY (part) towns of	Bakersfield town	Berkshire town
	Fairfield town	Fletcher town	Franklin town
	Montgomery town	Richford town	Sheldon town
	GRAND ISLE COUNTY (part) towns of	Alburg town	Isle La Motte town
	Lamoille County	Orange County	Rutland County
	Washington County	Windham County	Windsor County
	Caroline County	Orange County	Westmoreland County
	Clallam County	Mason County	San Juan County
	Pacific Islands		Skagit County
PR	All Nonmetropolitan Puerto Rico		
VI	St. Croix	St. Johns/St. Thomas	

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