



# Federal Register

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**Friday,  
December 19, 2003**

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**Part VI**

## **Department of Housing and Urban Development**

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**Statutorily Mandated Designation of  
Difficult Development Areas and Qualified  
Census Tracts for Section 42 of the  
Internal Revenue Code of 1986; Notice**

**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](mailto: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](mailto:hubzone@sba.gov). A text telephone is available for persons with hearing or speech impairments at (202) 708-9300. (These are not toll-free telephone numbers.) Additional copies of this notice are available through HUD User at (800) 245-2691 for a small fee to cover duplication and mailing costs.

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

**SUPPLEMENTARY INFORMATION:**

**This Document**

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



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

State	Metropolitan Area Name	Metropolitan Area Components
AZ	Flagstaff, AZ-UT MSA (part) Yuma, AZ MSA	Cocconino County Yuma County
CA	Los Angeles-Long Beach, CA PMSA Oakland, CA PMSA Sacramento, CA PMSA Salinas, CA MSA San Diego, CA MSA San Francisco, CA PMSA San Jose, CA PMSA San Luis Obispo-Atascadero-Paso Robles, CA MSA Santa Barbara-Santa Maria-Lompoc, CA MSA Santa Cruz-Watsonville, CA PMSA Santa Rosa, CA PMSA Vallejo-Fairfield-Napa, CA PMSA	Los Angeles County Alameda County El Dorado County Monterey County San Diego County Marin County Santa Clara County San Luis Obispo County Santa Barbara County Santa Cruz County Sonoma County Napa County Solano County
FL	Miami, FL PMSA Orlando, FL MSA Barnstable-Yarmouth, MA MSA	Miami-Dade County Lake County BARNSTABLE COUNTY towns of Dennis town Orleans town
MA		Orange County Barnstable city Eastham town Sandwich town
		Oscola County Brewster town Harwich town Yarmouth town
		Seminole County Chatham town Mashpee 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	Berkshire town Taunton city Amesbury town Gloucester city Lynnfield town Nahant town Rockport town Saugus town Acton town Bedford town Cambridge city Framingham town Lexington town Marlborough city Natick town Sherborn town Stow town Waltham city Wilmington town Bellingham town Cohasset town Franklin city Millis town Norwood town Sharon town Westwood town Carver town Hull town Pembroke town Wareham town Boston city Berlin town Hopedale town Millville town Seabrook town
		Dighton town Beverly city Hamilton town Manchester-by-the-Sea town Newbury town Rowley town Swampscott town Arlington town Belmont town Carlisle town Holliston town Lincoln town Maynard town Newton city Shirley town Sudbury town Watertown city Winchester town Braintree town Dedham town Holbrook town Milton town Plainville town Stoughton town Weymouth town Duxbury town Kingston town Plymouth town Chelsea city Blackstone town Lancaster town Southborough town South Hampton town
		Mansfield town Danvers town Ipswich town Marblehead town Newburyport city Salem city Topsfield town Ashland town Boxborough town Concord town Hopkinton town Littleton town Medford city North Reading town Somerville city Townsend town Wayland town Woburn city Brookline town Dover town Medfield town Needham town Quincy city Walpole town Wrentham town Hanover town Marshfield town Rockland town Revere city Bolton town Mendon town Upton town
NH	Boston, MA-NH PMSA	BRISTOL COUNTY towns of Norton town ESSEX COUNTY towns of Essex town Lynn city Middleton town Peabody city Salisbury town Wrentham town MIDDLESEX COUNTY towns of Ayer town Burlington town Everett city Hudson town Malden city Melrose city Reading town Stoneham town Wakefield town Weston town NORFOLK COUNTY towns of Canton town Foxborough town Medway town Norfolk town Randolph town Wellesley town PLYMOUTH COUNTY towns of Hingham town Norwell town Scituate town SUFFOLK COUNTY towns of Winthrop town WORCESTER COUNTY towns of Harvard town Milford town ROCKINGHAM COUNTY towns of Seabrook 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
	Dutchess County, NY PMSA	Dutchess County
NY	Nassau-Suffolk, NY PMSA	Nassau County Suffolk County
	New York, NY PMSA	Bronx County Kings County New York County Queens County Richmond County Rockland County Westchester County
	Aguadilla, PR MSA	Aguada Municipio Moca Municipio
	Caguas, PR PMSA	Caguas Municipio Cidra Municipio Gurabo Municipio
PR	Mayaguez, PR MSA	San Lorenzo Municipio Anasco Municipio Hormigueros Municipio Mayaguez Municipio
	San Juan-Bayamon, PR PMSA	Sabana Grande Municipio Bayamon Municipio Canovanas Municipio Comerio Municipio Florida Municipio Las Piedras Municipio Morovis Municipio San Juan Municipio Vega Alta Municipio
		Carolina Municipio Cayey Municipio Cabo Rojo Municipio San German Municipio Barceloneta Municipio Catalano Municipio Ceiba Municipio Fajardo Municipio Juncos Municipio Manati Municipio Rio Grande Municipio Trujillo Alto Municipio Yabucoa Municipio
		Corozal Municipio Dorado Municipio Humacao Municipio Luquillo Municipio Naranjito Municipio Toa 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 Juneau Borough Matanuska-Susitna Borough Sitka Borough	Dillingham Census Area Ketchikan Gateway Borough Nome Census Area Valdez-Cordova Census Area	Fairbanks North Star Borough Kodiak Island Borough North Slope Borough Wrangell-Petersburg Census Area	Haines Borough Lake and Peninsula Borough Northwest Arctic Borough
AZ	Apache County La Paz County Baxter County	Cochise County Navajo County	Gila County Santa Cruz County	Graham County Yavapai County
AR				
CA	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
CO	Archuleta County San Miguel County	Garfield County Summit County	La Plata County	Pitkin County
CT	LITCHFIELD COUNTY (part) towns of Goshen town Norfolk town Thomaston town MIDDLESEX COUNTY (part) towns of Westbrook town	Canaan town Kent town North Canaan town Torrington town Chester town	Colebrook town Litchfield town Salisbury town Warren town Deep River town	Cornwall town Morris town Sharon town Essex town
DE	Sussex County			
FL	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 Okechobee County Taylor County	DeSoto County Glades County Hendry County Jackson County Liberty County Putnam County Union County
HI	Hawaii County	Kauai County	Maui County	
ID	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
	Harpswell town	Harrison town	Naples town	New Gloucester town
	Pownal town	Sebago town		
	Franklin County			
	Knox County	Hancock County	Kennebec County	
	PENOBSCOT COUNTY (part) towns of	Lincoln County	Oxford County	
	Bradley town	Alton town	Argyle unorg.	Bradford town
	Charleston town	Burlington town	Carmel town	Carroll plantation
	Corinth town	Chester town	Clifton town	Corinna town
	East Central Penobscot unorg.	Dexter town	Dixmont town	Drew plantation
	Etna town	East Millinocket town	Edinburg town	Enfield town
	Greenfield town	Exeter town	Garland town	Greenbush town
	Lagrange town	Howland town	Hudson town	Kingman unorg.
	Lincoln town	Lakeville town	Lee town	Levant town
	Medway town	Lowell town	Mattawamkeag town	Maxfield town
	Newport town	Millinocket town	Mount Chase town	Newburgh town
	Plymouth town	North Penobscot unorg	Passadumkeag town	Patten town
	Stacyville town	Prentiss plantation	Seboeis plantation	Springfield town
	Whitney unorg.	Steison town	Twombly unorg.	Webster plantation
	Piscataquis County	Winn town	Woodville town	
	WALDO COUNTY (part) towns of	Sagadahoc County	Somerset County	
	Burnham town	Belfast city	Belmont town	Brooks town
	Jackson town	Frankfort town	Freedom town	Islesboro town
	Monroe town	Knox town	Liberty town	Lincolnville town
	Palermo town	Montville town	Morrill town	Northport town
	Stockton Springs town	Prospect town	Searsmont town	Searsport town
	Unity town	Swanville town	Thordike town	Troy town
	Washington County	Waldo town		
	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			



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

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

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

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