

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

**Office of the Secretary**

**Docket No. FR-4287-N-01**

**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 provides revised designations of "Difficult Development Areas" for purposes of the Low-Income Housing Tax Credit ("LIHTC") under section 42 of the Internal Revenue Code of 1986, and describes the methodology used by the United States Department of Housing and Urban Development ("HUD"). The new Difficult Development Areas are based on FY 1997 Fair Market Rents ("FMRs"), FY 1997 income limits and 1990 census population counts as explained below. The corrected designations of "Qualified Census Tracts" under section 42 of the Internal Revenue Code published May 1, 1995 (60 FR 21246) remain in effect.

**FOR FURTHER INFORMATION CONTACT:** With questions on how areas are designated and on geographic definitions, Kurt G. Usowski, Economist, Division of Economic Development and Public Finance, Office of Policy Development and Research, Department of Housing and Urban Development, 451 Seventh Street, S.W., Washington, D.C. 20410, telephone (202) 708-0426, e-mail [Kurt\\_G\\_Usowski@hud.gov](mailto:Kurt_G_Usowski@hud.gov). With specific legal questions pertaining to section 42 and this notice, Chris Wilson, Attorney, Office of the Chief Counsel, Pass Throughs and Special Industries Branch 5, Internal Revenue Service, 1111 Constitution Ave., N.W., Washington, DC, 20244, telephone (202) 622-3040, fax (202) 622-4779; or Harold J. Gross, Senior Tax Attorney, Office of the General Counsel, Department of Housing and Urban Development, 451 Seventh Street, S.W., Washington, D.C. 20410, telephone (202) 708-3260, e-mail [H\\_JERRY\\_GROSS@hud.gov](mailto:H_JERRY_GROSS@hud.gov). A telecommunications device for deaf persons (TDD) is available at (202) 708-9300. (These are not toll-free telephone numbers.) Additional copies of this notice are available through HUDUSER at (800) 245-2691 for a small fee to cover duplication and mailing costs.

**COPIES AVAILABLE ELECTRONICALLY:** This notice is available electronically on the Internet (World Wide Web) at <http://www.huduser.org> under the heading "Data Available from HUD."

**SUPPLEMENTARY INFORMATION:**

**Background**

The U.S. Treasury Department and the Internal Revenue Service thereof are authorized to interpret and enforce the provisions of the Internal Revenue Code of 1986 (the "Code"), including the Low-Income Housing Tax Credit ("LIHTC") found at section 42 of the Code, as enacted by the Tax Reform Act of 1986 [Pub. L. 99-514], as amended by the Technical and Miscellaneous Revenue Act of 1988 [Pub. L. 100-647], as amended by the Omnibus Budget Reconciliation Act of 1989 [Pub. L. 101-239], as amended by the Omnibus Budget Reconciliation Act of 1990 [Pub. L. 101-508], as amended by the Tax Extension Act of 1991 [Pub. L. 102-227], and as amended and made permanent by the Omnibus Budget Reconciliation Act of 1993 [Pub. L. 103-66]. The Secretary of HUD is required to designate Difficult Development Areas by section 42(d)(5)(C) of the Code.

In order to assist in understanding HUD's mandated designation of Difficult Development Areas 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 (the "credit ceiling") is limited by population. Each state is allocated credit based on \$1.25 per resident. Also, states may carry forward unused or returned credit for one year; if not used by then, credit 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.

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 acquisition of 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. This equals \$9,900 at the 39.6 percent maximum 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 the 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 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 the 70 percent credit is available, it effectively could be increased up to 91 percent.

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. There is a limit on the amount of Qualified Census Tracts in any Metropolitan Statistical Area ("MSA") or Primary Metropolitan Statistical Area ("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 non-metropolitan areas in a state are treated as if they constituted a single metropolitan area. **This Notice does not redesignate Qualified Census Tracts. The corrected designation of Qualified Census Tracts published May 1, 1995, at 60 FR 21246 remains in effect. Qualified Census Tracts will not be redesignated until data from the 2000 census become available.**

Section 42 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. Again, limits apply. 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 non-metropolitan counties.

## **Explanation of HUD Designation Methodology**

### **A. Difficult Development Areas**

In developing the list of Difficult Development Areas, HUD compared incomes with housing costs. HUD used 1990 Census data and the MSA/PMSA definitions as published by the Office of Management and Budget ("OMB") in OMB Bulletin No. 96-08 on June 28, 1996, with the exceptions described in section C., below. The basis for these comparisons was the fiscal year ("FY") 1997 HUD income limits for Very Low Income households ("VLILs") and Fair Market Rents ("FMRs") used for the section 8 Housing Assistance Payments Program. The procedure used in making these calculations follows:

1. For each MSA/PMSA and each non-metropolitan county, a ratio was calculated. This calculation used the FY 1997 two-bedroom FMR and the FY 1997 four-person VLIL. The numerator of the ratio was the area's FY 1997 FMR. 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 non-metropolitan counties.
3. The Difficult Development Areas are those with the highest ratios cumulative to 20 percent of the 1990 population of all metropolitan areas and of all non-metropolitan counties.

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

In identifying Difficult Development Areas, 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 three 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 are minimal overruns of the caps. 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.

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

As stated in OMB Bulletin 96-08 defining metropolitan areas:

"OMB establishes and maintains the definitions of the [Metropolitan Areas] MAs 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. In addition, HUD is required by statute to calculate a separate FMR and VLIL for Westchester County, New York, which OMB includes as part of the New York, NY PMSA. 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*

Atlanta, GA: Carrol, Pickens, and Walton Counties.

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 York, NY: Westchester County.

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.

Finally, 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.

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.

**Future Designations**

Difficult Development Areas are designated annually as updated income and FMR data become available. Qualified Census Tracts will not be redesignated until data from the 2000 census become available.

**Effective Date**

The list of Difficult Development Areas is effective for allocations of credit made after December 31, 1997. In the case of a building described in Internal Revenue Code section 42(h)(4)(B), the list is effective if the bonds are issued and the building is placed in service after December 31, 1997. The corrected designations of Qualified Census Tracts published May 1, 1995, at 60 FR 21246 remain in effect.

**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 Internal Revenue Code section 42(h)(4)(B).

**(Case A)** Project "A" is located in a newly-designated 1998 Difficult Development Area. Bonds are issued for Project "A" on November 1, 1997, but Project "A" is placed in service March 1, 1998. Project "A" IS NOT eligible for the increase in basis otherwise accorded a project in this location because the bonds were issued BEFORE December 31, 1997.

**(Case B)** Project "B" is located in a newly-designated 1998 Difficult Development Area. Project "B" is placed in service November 15, 1997. The bonds which will support the permanent financing of Project "B" are issued January 15, 1998. 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 December 31, 1997.

**(Case C)** Project "C" is located in an area which is a Difficult Development Area in 1998, but IS NOT a Difficult Development Area in 1999. Bonds are issued for Project "C" on October 30, 1998, but Project "C" is not placed in service until March 30, 1999. Project "C" is eligible for the increase in basis available to projects located

in 1998 Difficult Development Areas because both events (bonds issued and project placed in service) have occurred AFTER December 31, 1997.

### **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.

#### **Regulatory Flexibility Act**

In accordance with 5 U.S.C. ' 605(b) (the Regulatory Flexibility Act), the undersigned hereby 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" as required by section 42 of the Code, as amended, for use by political subdivisions of the States in allocating the LIHTC. 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.

#### **Executive Order 12612, Federalism**

The General Counsel, as the Designated Official under section 6(a) of Executive Order 12612, Federalism, has determined that the policies contained in this notice will not have any substantial direct effects on States or their political subdivisions, or the relationship between the Federal government and the States, or on the distribution of power and responsibilities among the various levels of government. As a result, the notice is not subject to review under the order. The notice merely designates "Difficult Development Areas" as required under section 42 of the Internal Revenue Code, as amended, for the use by political subdivisions of the States in allocating the LIHTC. The notice also details the technical methodology used in making such designations.

#### **Executive Order 12606, The Family**

The General Counsel, as the Designated Official under Executive Order 12606, The Family, has determined that this notice does not have potential for significant impact on family formation, maintenance, and general well-being, and, thus, is not subject to review under the Order. The notice involves the designation of "Difficult Development Areas" as required by section 42 of the Internal Revenue Code, as amended, that designated areas are for use by political subdivisions of the States in allocating the LIHTC. The notice also details the technical methodology used in making such designations.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Andrew M. Cuomo  
Secretary

**1998 Internal Revenue Code Section 42(d)(5)(C) Metropolitan Difficult Development Areas**

<b>STATE</b>	<b>METROPOLITAN AREA and Components</b>	<b>METROPOLITAN AREA and Components</b>	<b>METROPOLITAN AREA and Components</b>	<b>METROPOLITAN AREA and Components</b>
AZ	FLAGSTAFF, AZ (part) Coconino County, AZ	YUMA, AZ Yuma County		
CA	BAKERSFIELD, CA Kern County  MERCED, CA Merced County  SANTA BARBARA-SANTA MARIA-LOMPOC, CA Santa Barbara County	CHICO-PARADISE, CA Butte County  SALINAS, CA Monterey County  SANTA CRUZ-WATSONVILLE, CA Santa Cruz County	FRESNO, CA Fresno County    Madera County  SAN FRANCISCO, CA San Francisco    Marin County County            San Mateo County  SANTA ROSA, CA Sonoma County	LOS ANGELES-LONG BEACH, CA Los Angeles County SAN LUIS OBISPO-ATASCADERO- PASO ROBLES, CA San Luis Obispo County  STOCKTON-LODI, CA San Joaquin County
CT	NEW HAVEN-MERIDEN, CT Bethany town    Killingworth town Branford town    Meriden city Cheshire town    New Haven city Clinton town      North Branford town East Haven town   North Haven town Guilford town     Orange town Hamden town      Wallingford town Madison town      West Haven city Woodbridge town			
DE	DOVER, DE Kent County			
FL	DAYTONA BEACH, FL Flagler County    Volusia County MIAMI, FL Dade County  SARASOTA-BRADENTON, FL Manatee County   Sarasota County	FORT LAUDERDALE, FL Broward County OCALA, FL Marion County	FORT MYERS-CAPE CORAL, FL Lee County ORLANDO, FL Lake County      Osceola County Orange County    Seminole County	FORT PIERCE-PORT LUCIE, FL Martin County    St. Lucie County PUNTA GORDA, FL Charlotte County
HI	HONOLULU, HI Honolulu County			
MA	BARNSTABLE-YARMOUTH, MA Barnstable city   Harwich town Brewster town     Mashpee town Chatham town      Orleans town Dennis town       Sandwich town Eastham town       Yarmouth town			

**1998 Internal Revenue Code Section 42(d)(5)(C) Metropolitan Difficult Development Areas (cont.)**

<b>STATE</b>	<b>METROPOLITAN AREA and Components</b>	<b>METROPOLITAN AREA and Components</b>	<b>METROPOLITAN AREA and Components</b>	<b>METROPOLITAN AREA and Components</b>
NJ	ATLANTIC-CAPE MAY, NJ Atlantic County Cape May County	JERSEY CITY, NJ Hudson County	MONMOUTH-OCEAN, NJ Monmouth County Ocean County	VINELAND-MILLVILLE-BRIDGETON, NJ Cumberland County
NY	DUTCHESS COUNTY, NY Dutchess County  WESTCHESTER COUNTY, NY Westchester County	NASSAU-SUFFOLK, NY Nassau County Suffolk County	NEW YORK, NY (part) Bronx County Queens County Kings County Richmond County New York County Rockland County Putnam County	NEWBURGH, NY-PA Pike County, PA Orange County, NY
OR	EUGENE-SPRINGFIELD, OR Lane County	MEDFORD-ASHLAND, OR Jackson County		
PA	STATE COLLEGE, PA Centre County			
PR	AGUADILLA, PR Aguada Municipio Aguadilla Municipio Moca Municipio	CAGUAS, PR Caguas Municipio Gurabo Municipio Cayey Municipio San Lorenzo Mun. Cidra Municipio	MAYAGUEZ, PR Anasco Municipio Mayaguez Municipio Cabo Rojo Mun. Sabana Grande Mu. Hormigueros Mun. San German Mun.	SAN JUAN-BAYAMON, PR Aguas Buenas Mu. Corozal Municipio Barceloneta Mun. Dorado Municipio Bayamon Mun. Fajardo Municipio Canovanas Mun. Florida Municipio Carolina Municipio Guaynabo Municipio San Juan Mun. Humacao Municipio Toa Alta Municipio Juncos Municipio Toa Baja Mun. Las Piedras Mun. Trujillo Alto Mun. Loiza Municipio Vega Alta Mun. Luquillo Municipio Vega Baja Mun. Manati Municipio Yabucoa Municipio Morovis Municipio Catano Municipio Naguabo Municipio Ceiba Municipio Naranjito Municipio Comerio Municipio Rio Grande Mun.
SC	MYRTLE BEACH, SC Horry County			

**1998 Internal Revenue Code Section 42(d)(5)(C) Metropolitan Difficult Development Areas (cont.)**

<b>STATE</b>	<b>METROPOLITAN AREA and Components</b>	<b>METROPOLITAN AREA and Components</b>	<b>METROPOLITAN AREA and Components</b>	<b>METROPOLITAN AREA and Components</b>
TX	BROWNSVILLE-HARLINGEN- SAN BENITO, TX Cameron County	EL PASO, TX El Paso County	LAREDO, TX Webb County	
WA	BELLINGHAM, WA Whatcom County	RICHLAND-KENNEWICK-PASCO, WA Benton County      Franklin County	YAKIMA, WA Yakima County	

**1998 Internal Revenue Code Section 42(d)(5)(C) Nonmetropolitan Difficult Development Areas**

<b>STATE</b>	<b>NONMETROPOLITAN COUNTY OR COUNTY EQUIVALENT</b>	<b>NONMETROPOLITAN COUNTY OR COUNTY EQUIVALENT</b>	<b>NONMETROPOLITAN COUNTY OR COUNTY EQUIVALENT</b>	<b>NONMETROPOLITAN COUNTY OR COUNTY EQUIVALENT</b>
PI	PACIFIC ISLANDS			
PR	All			
VI	St. Croix	St. Johns/St. Thomas		
AK	BETHEL CENSUS AREA JUNEAU BOROUGH MATANUSKA-SUSITNA BOROUGH PRINCE OF WALES-OUTER KETCHIKAN CENSUS AREA	DILLINGHAM CENSUS AREA KETCHIKAN GATEWAY BOROUGH NOME CENSUS AREA SITKA BOROUGH	FAIRBANKS NORTH STAR BOROUGH KODIAK ISLAND BOROUGH NORTH SLOPE BOROUGH WADE HAMPTON CENSUS AREA	HAINES BOROUGH LAKE AND PENINSULA BOROUGH NORTHWEST ARCTIC BOROUGH YUKON-KOYUKUK CENSUS AREA
AR	BAXTER COUNTY	DREW COUNTY		
AZ	APACHE COUNTY LA PAZ COUNTY	COCHISE COUNTY NAVAJO COUNTY	GILA COUNTY SANTA CRUZ COUNTY	GRAHAM COUNTY YAVAPAI COUNTY
CA	ALPINE COUNTY DEL NORTE COUNTY INYO COUNTY MENDOCINO COUNTY PLUMAS COUNTY TEHAMA COUNTY	AMADOR COUNTY GLENN COUNTY KINGS COUNTY MODOC COUNTY SAN BENITO COUNTY TRINITY COUNTY	CALAVERAS COUNTY HUMBOLDT COUNTY LAKE COUNTY MONO COUNTY SIERRA COUNTY TUOLUMNE COUNTY	COLUSA COUNTY IMPERIAL COUNTY MARIPOSA COUNTY NEVADA COUNTY SISKIYOU COUNTY
CO	ARCHULETA COUNTY PITKIN COUNTY	GARFIELD COUNTY SAN MIGUEL COUNTY	LA PLATA COUNTY SUMMIT COUNTY	PARK COUNTY
CT	LITCHFIELD COUNTY (part) Canaan town Colebrook town Cornwall town Goshen town Kent town Litchfield town Morris town Norfolk town North Canaan town Salisbury town Sharon town Torrington town Warren town	MIDDLESEX COUNTY (part) Chester town Deep River town Essex town Westbrook town		
DE	SUSSEX COUNTY			
FL	BAKER COUNTY COLUMBIA COUNTY GILCHRIST COUNTY HARDEE COUNTY INDIAN RIVER COUNTY LEVY COUNTY OKEECHOBEE COUNTY TAYLOR COUNTY WASHINGTON COUNTY	BRADFORD COUNTY DESOTO COUNTY GLADES COUNTY HENDRY COUNTY JACKSON COUNTY LIBERTY COUNTY PUTNAM COUNTY UNION COUNTY	CALHOUN COUNTY DIXIE COUNTY GULF COUNTY HIGHLANDS COUNTY JEFFERSON COUNTY MADISON COUNTY SUMTER COUNTY WAKULLA COUNTY	CITRUS COUNTY FRANKLIN COUNTY HAMILTON COUNTY HOLMES COUNTY LAFAYETTE COUNTY MONROE COUNTY SUWANNEE COUNTY WALTON COUNTY



**1998 Internal Revenue Code Section 42(d)(5)(C) Nonmetropolitan Difficult Development Areas (continued)**

<b>STATE</b>	<b>NONMETROPOLITAN COUNTY OR COUNTY EQUIVALENT</b>					
ME	ANDROSCOGGIN COUNTY (part)	AROOSTOOK COUNTY	CUMBERLAND COUNTY (part)	FRANKLIN COUNTY		
	Durham town		Baldwin town      Naples town			
	Leeds town		Bridgton town      New Gloucester town			
	Livermore town		Brunswick town      Pownal town			
	Livermore Falls town		Harpwell town      Sebago town			
	Minot town		Harrison town			
	HANCOCK COUNTY		KNOX COUNTY		LINCOLN COUNTY	OXFORD COUNTY
	PENOBSCOT COUNTY (part)		WALDO COUNTY (part)		YORK COUNTY (part)	SOMERSET COUNTY
	Alton town      Lagrange town		Belfast city		Acton town	
	Argyle unorg.      Lakeville town		Belmont town		Alfred town	
	Bradford town      Lee town		Brooks town		Arundel town	
	Bradley town      Levant town		Burnham town		Biddeford city	
	Burlington town      Lincoln town		Frankfort town		Cornish town	
	Carmel town      Lowell town		Freedom town		Dayton town	
	Carroll		Islesboro town		Kennebunk town	
plantation      Mattawamkeag town	Jackson town	Kennebunkport town				
Maxfield town	Knox town	Lebanon town				
Charleston town      Medway town	Liberty town	Limerick town				
Chester town      Millinocket town	Lincolnville town	Lyman town				
Clifton town      Mount Chase town	Monroe town	Newfield town				
Corinna town      Newburgh town	Montville town	North Berwick town				
Corinth town      Newport town	Morrill town	Ogunquit town				
Dexter town      North Penobscot	Northport town	Parsonsfield town				
Dixmont town      unorg.	Palermo town	Saco city				
Drew plantation      Passadumkeag town	Prospect town	Sanford town				
East Central      Patten town	Searsmont town	Shapleigh town				
Penobscot unorg.      Plymouth town	Searsport town	Waterboro town				
East Millinocket town      Prentiss plantation (unorg.)	Stockton Springs town	Wells town				
Edinburg town      Seboeis plantation	Swanville town					
Enfield town      Springfield town	Thorndike town					
Etna town      Stacyville town	Troy town					
Exeter town      Stetson town	Unity town					
Garland town      Twombly unorg.	Waldo town					
Greenbush town      Webster plantation						
Greenfield town      Whitney unorg.						
Howland town      Winn town						
Hudson town      Woodville town						
Kingman unorg.						
PISCATAQUIS COUNTY	WASHINGTON COUNTY	SAGadahoc COUNTY				
MS	BOLIVAR COUNTY	COAHOMA COUNTY	ISSAQUENA COUNTY	LAFAYETTE COUNTY		
	WASHINGTON COUNTY					

**1998 Internal Revenue Code Section 42(d)(5)(C) Nonmetropolitan Difficult Development Areas (continued)**

<b>STATE</b>	<b>NONMETROPOLITAN COUNTY OR COUNTY EQUIVALENT</b>	<b>NONMETROPOLITAN COUNTY OR COUNTY EQUIVALENT</b>	<b>NONMETROPOLITAN COUNTY OR COUNTY EQUIVALENT</b>	<b>NONMETROPOLITAN COUNTY OR COUNTY EQUIVALENT</b>
MT	GALLATIN COUNTY			
NC	CAMDEN COUNTY	DARE COUNTY	WATAUGA COUNTY	
NH	BELKNAP COUNTY HILLSBOROUGH COUNTY (part) Antrim town      Lyndeborough town Bennington town      New Boston town Deering town      Peterborough town Francestown town      Sharon town Greenfield town      Temple town Hancock town      Windsor town Hillsborough town  SULLIVAN COUNTY	CARROLL COUNTY MERRIMACK COUNTY (part) Andover town      Hopkinton town Boscawen town      Loudon town Bow town      Newbury town Bradford town      New London town Canterbury town      Northfield town Chichester town      Pembroke town Concord city      Pittsfield town Danbury town      Salisbury town Dunbarton town      Sutton town Epsom town      Warner town Franklin city      Webster town Henniker town      Wilmot town Hill town	CHESHIRE COUNTY ROCKINGHAM COUNTY (part) Deerfield town Northwood town Nottingham town	GRAFTON COUNTY STRAFFORD COUNTY (part) Middleton town New Durham town Strafford town
NM	GRANT COUNTY QUAY COUNTY	LINCOLN COUNTY SAN MIGUEL COUNTY	LUNA COUNTY TAOS COUNTY	MCKINLEY COUNTY
NV	DOUGLAS COUNTY			
NY	CHENANGO COUNTY ESSEX COUNTY SCHUYLER COUNTY	CLINTON COUNTY GREENE COUNTY SULLIVAN COUNTY	COLUMBIA COUNTY HAMILTON COUNTY TOMPKINS COUNTY	CORTLAND COUNTY JEFFERSON COUNTY ULSTER COUNTY
OR	BAKER COUNTY CURRY COUNTY GRANT COUNTY JOSEPHINE COUNTY LINN COUNTY TILLAMOOK COUNTY WASCO COUNTY	CLATSOP COUNTY DESCHUTES COUNTY HARNEY COUNTY KLAMATH COUNTY MALHEUR COUNTY UMATILLA COUNTY WHEELER COUNTY	COOS COUNTY DOUGLAS COUNTY HOOD RIVER COUNTY LAKE COUNTY MORROW COUNTY UNION COUNTY	CROOK COUNTY GILLIAM COUNTY JEFFERSON COUNTY LINCOLN COUNTY SHERMAN COUNTY WALLOWA COUNTY
PA	MONROE COUNTY	NORTHUMBERLAND COUNTY	UNION COUNTY	WAYNE COUNTY
RI	NEWPORT COUNTY (part) Middletown town      Portsmouth town Newport city	WASHINGTON COUNTY (part) New Shoreham town		
SD	BUTTE COUNTY	LAWRENCE COUNTY	MEADE COUNTY	

**1998 Internal Revenue Code Section 42(d)(5)(C) Nonmetropolitan Difficult Development Areas (continued)**

<b>STATE</b>	<b>NONMETROPOLITAN COUNTY OR COUNTY EQUIVALENT</b>	<b>NONMETROPOLITAN COUNTY OR COUNTY EQUIVALENT</b>	<b>NONMETROPOLITAN COUNTY OR COUNTY EQUIVALENT</b>	<b>NONMETROPOLITAN COUNTY OR COUNTY EQUIVALENT</b>
TX	ARANSAS COUNTY LLANO COUNTY	CAMP COUNTY REAGAN COUNTY	HUDSPETH COUNTY VAL VERDE COUNTY	KIMBLE COUNTY WALKER COUNTY
UT	DAGGETT COUNTY	IRON COUNTY	WASHINGTON COUNTY	
VA	CAROLINE COUNTY	KING AND QUEEN COUNTY	WESTMORELAND COUNTY	
VT	ADDISON COUNTY RUTLAND COUNTY	BENNINGTON COUNTY WASHINGTON COUNTY	LAMOILLE COUNTY WINDHAM COUNTY	ORANGE COUNTY WINDSOR COUNTY
WA	ADAMS COUNTY COLUMBIA COUNTY GRANT COUNTY KLUCKITAT COUNTY OKANOGAN COUNTY SKAGIT COUNTY WHITMAN COUNTY	ASOTIN COUNTY DOUGLAS COUNTY GRAYS HARBOR COUNTY LEWIS COUNTY PACIFIC COUNTY SKAMANIA COUNTY	CHELAN COUNTY FERRY COUNTY JEFFERSON COUNTY LINCOLN COUNTY PEND OREILLE COUNTY STEVENS COUNTY	CLALLAM COUNTY GARFIELD COUNTY KITTITAS COUNTY MASON COUNTY SAN JUAN COUNTY WAHKIACUM COUNTY
WV	TAYLOR COUNTY	UPSHUR COUNTY		