

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**[Docket No. FR-4889-N-06]****Statutorily Mandated Designation of Difficult Development Areas for Section 42 of the Internal Revenue Code of 1986: Supplemental Designation Under the Gulf Opportunity Zone Act of 2005****AGENCY:** Office of the Secretary, HUD.**ACTION:** Notice.

SUMMARY: This document designates "Difficult Development Areas" (DDAs) for purposes of the Low-Income Housing Tax Credit (LIHTC) under section 42 of the Internal Revenue Code of 1986 (the Code) (26 U.S.C. 42) as amended by the Gulf Opportunity Zone Act of 2005 (Pub. L. 109-135; the GO Zone Act). The United States Department of Housing and Urban Development (HUD) makes new Difficult Development Area designations annually and is making a supplemental designation at this time because of changes in the program enacted in the GO Zone Act. The designations of "Qualified Census Tracts" (QCTs) under section 42 of the Internal Revenue Code published December 12, 2002, as supplemented on December 19, 2003, remain in effect.

FOR FURTHER INFORMATION CONTACT: For questions on how areas are designated and on geographic definitions, contact Kurt G. Usowski, Associate Deputy Assistant Secretary for Economic Affairs, Office of Policy Development and Research, Department of Housing and Urban Development, 451 Seventh Street, SW., Washington, DC 20410-6000, telephone (202) 708-2770, or send e-mail to Kurt_G_Usowski@hud.gov. For specific legal questions pertaining to Section 42, contact Branch 5, Office of the Associate Chief Counsel, Passthroughs & Special Industries, Internal Revenue Service, 1111 Constitution Avenue, NW., Washington, DC 20224, telephone (202) 622-3040, fax (202) 622-4753. For questions about the "HUB Zones" program, contact Michael P. McHale, Assistant Administrator for Procurement Policy, Office of Government Contracting, Small Business Administration, 409 Third Street, SW., Suite 8800, Washington, DC 20416, telephone (202) 205-8885, fax (202) 205-7167, or send e-mail to hubzone@sba.gov. A text telephone is available for persons with hearing or speech impairments at (202) 708-9300. (These are not toll-free telephone numbers.) Additional copies of this notice are available through HUD

User at (800) 245-2691 for a small fee to cover duplication and mailing costs.

Copies Available Electronically: This notice and additional information about DDAs and QCTs are available electronically on the Internet at <http://www.huduser.org/datasets/qct.html>.

SUPPLEMENTARY INFORMATION:**This Document**

This notice designates DDAs for each of the 50 states, the District of Columbia, Puerto Rico, American Samoa, Guam, the Northern Mariana Islands, and the U.S. Virgin Islands. The designations of DDAs in this notice are based on final Fiscal Year (FY) 2005 Fair Market Rents (FMRs), 2005 income limits, and 2000 Census population counts as explained below. HUD is making a supplemental designation at this time because of changes in the program enacted in the GO Zone Act. Specifically, the GO Zone Act provides that areas determined by the President to warrant individual or individual and public assistance from the Federal Government under the Robert T. Stafford Disaster Relief and Emergency Assistance Act by reason of Hurricanes Katrina, Rita, or Wilma shall be treated as DDAs designated under subclause (I) of Internal Revenue Code section 42(d)(5)(C)(iii) (i.e., areas designated by the Secretary of HUD as having high construction, land, and utility costs relative to area median gross income (AMGI)), and shall not be taken into account for purposes of applying the limitation under subclause (II) of such section (i.e., the 20 percent cap on the total population of designated areas). This notice lists the affected areas described in the GO Zone Act. Some of the areas made DDAs under the GO Zone Act were designated as DDAs for 2006 on the basis of having high housing cost relative to income. When their populations are exempted from the computation of total population in areas previously designated as DDAs for 2006, this population falls well below the statutory 20 percent cap. Therefore, this notice designates additional 2006 DDAs where the Secretary of HUD finds that construction, land, and utility costs are high relative to AMGI. The designations of QCTs under section 42 of the Internal Revenue Code published December 12, 2002 (67 FR 76451), as supplemented on December 19, 2003 (68 FR 70982), remain in effect.

2000 Census

Data from the 2000 Census on total population of metropolitan areas and nonmetropolitan areas are used in the designation of DDAs. The Office of Management and Budget (OMB)

published new metropolitan area definitions incorporating 2000 Census data in OMB Bulletin No. 03-04 on June 6, 2003, as updated in OMB Bulletin No. 04-03 on February 18, 2004, and OMB Bulletin No. 05-02 on February 22, 2005. The FY2005 FMRs and 2005 income limits used to designate DDAs are based on the Metropolitan Statistical Area (MSA) and Primary Metropolitan Statistical Area (PMSA) definitions established by OMB in OMB Bulletin No. 99-04 on June 30, 1999. Therefore, for the purposes of designating DDAs, "metropolitan areas" will continue to be defined according to the MSA/PMSA definitions established in OMB Bulletin No. 99-04 on June 30, 1999, until further notice.

Background

The U.S. Department of the Treasury (Treasury) and its Internal Revenue Service (IRS) are authorized to interpret and enforce the provisions of the Code, including the LIHTC found at section 42 of the Code. The Secretary of HUD is required to designate DDAs and QCTs by section 42(d)(5)(C) of the Code. In order to assist in understanding HUD's mandated designation of DDAs and QCTs for use in administering section 42, a summary of the section is provided. The following summary does not purport to bind Treasury or the IRS in any way, nor does it purport to bind HUD, as HUD has authority to interpret or administer the Code only in instances where it receives explicit delegation.

Summary of Low-Income Housing Tax Credit

The LIHTC is a tax incentive intended to increase the availability of low-income housing. Section 42 provides an income tax credit to owners of newly constructed or substantially rehabilitated low-income rental housing projects. The dollar amount of the LIHTC available for allocation by each state (credit ceiling) is limited by population. Each state is allowed a credit ceiling based on a statutory formula indicated at section 42(h)(3). States may carry forward unallocated credits derived from the credit ceiling for one year; however, to the extent these unallocated credits are not used by then, the credits go into a national pool to be redistributed to states as additional credit. State and local housing agencies allocate the state's credit ceiling among low-income housing buildings whose owners have applied for the credit. Besides section 42 credits derived from the credit ceiling, states may also provide section 42 credits to owners of buildings based on the percentage of certain building

costs financed by tax-exempt bond proceeds. Credits provided under the tax-exempt bond "volume cap" do not reduce the credits available from the credit ceiling.

The credits allocated to a building are based on the cost of units placed in service as low-income units under certain minimum occupancy and maximum rent criteria. In general, a building must meet one of two thresholds to be eligible for the LIHTC: either 20 percent of the units must be rent-restricted and occupied by tenants with incomes no higher than 50 percent of the AMGI or 40 percent of the units must be rent restricted and occupied by tenants with incomes no higher than 60 percent of AMGI. The term "rent-restricted" means that gross rent, including an allowance for utilities, cannot exceed 30 percent of the tenant's imputed income limitation (*i.e.*, 50 percent or 60 percent of AMGI). The rent and occupancy thresholds remain in effect for at least 15 years, and building owners are required to enter into agreements to maintain the low-income character of the building for at least an additional 15 years.

The LIHTC reduces income tax liability dollar for dollar. It is taken annually for a term of ten years and is intended to yield a present value of either: (1) 70 percent of the "qualified basis" for new construction or substantial rehabilitation expenditures that are not federally subsidized (*i.e.*, financed with tax-exempt bonds or below-market federal loans), or (2) 30 percent of the qualified basis for the cost of acquiring certain existing buildings or projects that are federally subsidized. The actual credit rates are adjusted monthly for projects placed in service after 1987 under procedures specified in section 42. Individuals can use the credits up to a deduction equivalent of \$25,000 (the actual maximum amount of credit that an individual can claim depends on the individual's marginal tax rate). Individuals cannot use the credits against the alternative minimum tax. Corporations, other than S or personal service corporations, can use the credits against ordinary income tax. They cannot use the credits against the alternative minimum tax. These corporations can also deduct losses from the project.

The qualified basis represents the product of the building's "applicable fraction" and its "eligible basis." The applicable fraction is based on the number of low-income units in the building as a percentage of the total number of units, or based on the floor space of low income-units as a percentage of the total floor space of

residential units in the building. The eligible basis is the adjusted basis attributable to acquisition, rehabilitation, or new construction costs (depending on the type of LIHTC involved). These costs include amounts chargeable to a capital account that are incurred prior to the end of the first taxable year in which the qualified low-income building is placed in service or, at the election of the taxpayer, the end of the succeeding taxable year. In the case of buildings located in designated DDAs or designated QCTs, eligible basis can be increased by up to 130 percent from what it would otherwise be. This means that the available credits also can be increased by up to 30 percent. For example, if a 70 percent credit is available, it effectively could be increased to as much as 91 percent.

Section 42 of the Code defines a DDA as any area designated by the Secretary of HUD as an area that has high construction, land, and utility costs relative to the AMGI. All designated DDAs in metropolitan areas (taken together) may not contain more than 20 percent of the aggregate population of all metropolitan areas, and all designated areas not in metropolitan areas may not contain more than 20 percent of the aggregate population of all nonmetropolitan areas.

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

Explanation of HUD Designation Methodology

A. Difficult Development Areas

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

In developing the list of the remaining DDAs, HUD compared housing costs with incomes. HUD used 2000 Census population data and the metropolitan area (MSA/PMSA) definitions as published in OMB Bulletin No. 99-04 on June 30, 1999. In keeping with past practice of basing the coming year's DDA designations on data from the preceding year, the basis for these comparisons was the 2005 HUD income limits for Very Low-Income households (Very Low Income Limits, or VLILs) and final FY2005 FMRs used for the Section 8 Housing Choice Voucher program. The procedure used in making the DDA calculations follows:

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

- a. The numerator of the ratio was the area's final FY2005 FMR. In general, the FMR is based on the 40th percentile rent paid by recent movers for a two-bedroom apartment. In metropolitan areas granted a FMR based on the 50th percentile rent for purposes of improving the administration of HUD's Housing Choice Voucher program (see 66 FR 162), the 40th percentile rent was used for nationwide consistency of comparisons.

- b. The denominator of the ratio was the monthly LIHTC income-based rent limit calculated as $\frac{1}{12}$ of 30 percent of 120 percent of the area's VLIL (where the VLIL was rounded to the nearest \$50 and not allowed to exceed 80 percent of the AMGI in areas where the VLIL is adjusted upward from its 50 percent of AMGI base).

2. The ratios of the FMR to the LIHTC income-based rent limit were arrayed in descending order, separately, for MSAs/PMSAs and for nonmetropolitan areas.

3. The DDAs are those metropolitan areas and nonmetropolitan areas *not* in areas determined by the President to

warrant individual or individual and public assistance from the Federal Government under the Robert T. Stafford Disaster Relief and Emergency Assistance Act by reason of Hurricanes Katrina, Rita, or Wilma with the highest ratios cumulative to 20 percent of the 2000 population of all metropolitan areas and of all nonmetropolitan areas, respectively.

B. Application of Population Caps to Difficult Development Area Determinations

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

In applying these caps, HUD established procedures to deal with how to treat small overruns of the caps. The remainder of this section explains the procedure. In general, HUD stops selecting areas when it is impossible to choose another area without exceeding the applicable cap. The only exceptions to this policy are when the next eligible excluded area contains either a large absolute population or a large percentage of the total population, or the next excluded area's ranking ratio as described above was identical (to four decimal places) to the last area selected, *and* its inclusion resulted in only a minor overrun of the cap. Thus, for both the designated metropolitan and nonmetropolitan DDAs, there may be minimal overruns of the cap. HUD believes the designation of these additional areas is consistent with the intent of the legislation. As long as the apparent excess is small due to measurement errors, some latitude is justifiable because it is impossible to determine whether the 20 percent cap has been exceeded. Despite the care and effort involved in a decennial census, the Census Bureau and all users of the data recognize that the population counts for a given area and for the entire

country are not precise. The extent of the measurement error is unknown. Thus, there can be errors in both the numerator and denominator of the ratio of populations used in applying a 20 percent cap. In circumstances where a strict application of a 20 percent cap results in an anomalous situation, recognition of the unavoidable imprecision in the census data justifies accepting small variances above the 20 percent limit.

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

As stated in OMB Bulletin 99-04 defining metropolitan areas: "OMB establishes and maintains the definitions of the [Metropolitan Areas] solely for statistical purposes * * * OMB does not take into account or attempt to anticipate any nonstatistical uses that may be made of the definitions * * *. We recognize that some legislation specifies the use of metropolitan areas for programmatic purposes, including allocating Federal funds."

HUD makes exceptions to OMB definitions in calculating FMRs by deleting counties from metropolitan areas whose OMB definitions are determined by HUD to be larger than their housing market areas.

The following counties are assigned their own FMRs and VLILs and evaluated as if they were separate metropolitan areas for purposes of designating DDAs.

Metropolitan Area and Counties Deleted
Chicago, Illinois: DeKalb, Grundy, and Kendall Counties.
Cincinnati-Hamilton, Ohio-Kentucky-Indiana: Brown County, Ohio; Gallatin, Grant, and Pendleton Counties, Kentucky; and Ohio County, Indiana.
Dallas, Texas: Henderson County.
Flagstaff, Arizona-Utah: Kane County, Utah.
New Orleans, Louisiana: St. James Parish.
Washington, DC-Maryland-Virginia-West Virginia: Clarke, Culpeper, King George, and Warren Counties, Virginia; and Berkely and Jefferson Counties, West Virginia.

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

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

MSAs/PMSAs affected by geographic definition changes are assigned the indicator "(part)" in the list of Metropolitan DDAs. Any of the excluded counties designated as DDAs separately from their metropolitan areas are designated by the county name.

In the New England states (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont), OMB defined MSAs/PMSAs according to county subdivisions or minor civil divisions (MCDs), rather than county boundaries. Thus, when a New England county is designated as a Nonmetropolitan DDA, only that part of the county (the group of MCDs) not included in any MSA/PMSA is the Nonmetropolitan DDA. Affected counties are assigned the indicator "(part)" in the list of Nonmetropolitan DDAs.

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

Future Designations

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

Effective Date

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

The 2006 lists of DDAs that are not part of the GO Zone Designation are effective: (1) For allocations of credit after December 31, 2005; or (2) for purposes of section 42(h)(4)(B) of the Code, if the bonds are issued and the building is placed in service after December 31, 2005. If an area is not on a subsequent list of DDAs, the 2006 lists

are effective for the area if (1) the allocation of credit to an applicant is made no later than the end of the 365-day period after the submission to the credit-allocating agency of a complete application by the applicant, and the submission is made before the effective date of the subsequent lists; or (2) for purposes of section 42(h)(4)(B) of the Code, the bonds are issued or the building is placed in service no later than the end of the 365-day period after the applicant submits a complete application to the bond-issuing agency, and the submission is made before the effective date of the subsequent lists, provided that both the issuance of the bonds and the placement in service of the building occur after the application is submitted.

An application is deemed to be submitted on the date it is filed if the application is determined to be complete as certified in writing by the credit-allocating agency or bond-issuing agency. A "complete application" means that no more than *de minimis* clarification of the application is required for the agency to make a decision about the allocation of tax credits or issuance of bonds requested in the application.

The designations of QCTs under section 42 of the Internal Revenue Code published December 12, 2002 (67 FR 76451), as supplemented on December 19, 2003 (68 FR 70982), remain in effect. The above language regarding calendar year 2006 and subsequent designations of DDAs also applies to the designations of QCTs published December 12, 2002 (67 FR 76451), as supplemented on December 19, 2003 (68 FR 70982), and subsequent designations of QCTs.

Interpretive Examples of Effective Date

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

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

application for tax credits for Project "A" is filed with the allocating agency November 15, 2006, which the credit-allocating agency certifies in writing as complete. Credits are allocated to Project "A" on October 30, 2007. Project "A" IS eligible for the increase in basis accorded a project in a 2006 regular DDA because the application was filed BEFORE January 1, 2007 (the assumed effective date for the 2007 regular DDA lists), and tax credits were allocated no later than the end of the 365-day period after the filing of the complete application for an allocation of tax credits.

(Case B) Project "B" is located in a 2006 regular DDA that is NOT a designated regular DDA in 2007. An application for tax credits for Project "B" is filed with the allocating agency December 1, 2006, which the credit-allocating agency certifies in writing as complete. Credits are allocated to Project "B" on March 30, 2008. Project "B" IS NOT eligible for the increase in basis accorded a project in a 2006 regular DDA because, although the application for an allocation of tax credits was filed BEFORE January 1, 2007 (the assumed effective date of the 2007 regular DDA lists), the tax credits were allocated later than the end of the 365-day period after the filing of the complete application.

(Case C) Project "C" is located in a 2006 regular DDA that was not a DDA in 2005. Project "C" was placed in service November 15, 2005. An application for tax-exempt bond financing for Project "C" is filed with the bond-issuing agency on January 15, 2006, which the bond-issuing agency certifies in writing as complete. The bonds that will support the permanent financing of Project "C" are issued September 30, 2006. Project "C" IS NOT eligible for the increase in basis otherwise accorded a project in a 2006 DDA because the project was placed in service BEFORE January 1, 2006.

(Case D) Project "D" is located in an area that is a regular DDA in 2006, but IS NOT a regular DDA in 2007. An application for tax-exempt bond financing for Project "D" is filed with the bond-issuing agency on October 30, 2006, which the bond-issuing agency certifies in writing as complete. Bonds are issued for Project "D" on April 30, 2007, but Project "D" is not placed in service until January 30, 2008. Project "D" is eligible for the increase in basis available to projects located in 2006 regular DDAs because the first of the two events necessary for triggering the effective date for buildings described in section 42(h)(4)(B) of the Code (the two events being bonds issued and buildings

placed in service) took place on April 30, 2007, within the 365-day period after a complete application for tax-exempt bond financing was filed, and the application was filed during a time when the location of Project "D" was in a regular DDA.

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

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

Findings and Certifications

Environmental Impact

In accordance with 40 CFR 1508.4 of the regulations of the Council on Environmental Quality and 24 CFR 50.19(c)(6) of HUD's regulations, the policies and procedures contained in this notice provide for the establishment of fiscal requirements or procedures that do not constitute a development decision affecting the physical condition of specific project areas or building sites and, therefore, are categorically excluded from the requirements of the National Environmental Policy Act, except for extraordinary circumstances, and no Finding of No Significant Impact is required.

Federalism Impact

Executive Order 13132 (entitled "Federalism") prohibits an agency from publishing any policy document that has federalism implications if the document either imposes substantial direct compliance costs on state and local governments and is not required by statute, or the document preempts state law, unless the agency meets the consultation and funding requirements of section 6 of the executive order. This notice merely designates "Difficult Development Areas" as required under section 42 of the Internal Revenue Code, as amended, for the use by political subdivisions of the states in allocating the Low-Income Housing Tax Credit. This notice also details the technical methodology used in making such

designations. As a result, this notice is not subject to review under the order.

Dated: February 16, 2006.

Darlene Williams,

*Assistant Secretary for Policy Development
and Research.*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

State		Nonmetropolitan Counties or County Equivalents			
Kentucky	Butler County	Carlisle County	Fulton County	Lincoln County	
	McLean County	Montgomery County	Nicholas County	Owen County	
	Powell County	Rowan County	Simpson County		
Louisiana	Allen Parish [GO Zone]	Assumption Parish [GO Zone]	Beauregard Parish [GO Zone]	Bienville Parish	
	Cameron Parish [GO Zone]	East Feliciana Parish [GO Zone]	Evangeline Parish [GO Zone]	Iberia Parish [GO Zone]	
	Iberville Parish [GO Zone]	Jefferson Davis Parish [GO Zone]	Natchitoches Parish	Pointe Coupee Parish [GO Zone]	
	Red River Parish	Sabine Parish [GO Zone]	St. Helena Parish [GO Zone]	St. Mary Parish [GO Zone]	
	Tangipahoa Parish [GO Zone]	Vermilion Parish [GO Zone]	Vernon Parish [GO Zone]	Washington Parish [GO Zone]	
	West Feliciana Parish [GO Zone]				
Maine	CUMBERLAND COUNTY (part) towns of	Baldwin town	Bridgton town	Brunswick town	
	Harpwell town	Harrison town	Naples town	New Gloucester town	
	Pownal town	Sebago town			
	Hancock County	Knox County	Lincoln County	Piscataquis County	
	Sagadahoc 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	Searsport town	Searsport town	
	Stockton Springs town	Swanville town	Thorndike town	Troy town	
	Unity town	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				
Massachusetts	BARNSTABLE COUNTY (part) towns of	Bourne town	Falmouth town	Provincetown town	
	Truro town	Wellfleet town			
	Dukes County				
	HAMPSHIRE COUNTY (part) towns of	Chesterfield town	Cummington town	Goshen town	
	Middlefield town	Pelham town	Plainfield town	Westhampton town	
	Worthington town				
	Nantucket County				

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

State	Nonmetropolitan Counties or County Equivalents		
Michigan	Benzie County	Grand Traverse County	Oshtemo County
Mississippi	Adams County [GO Zone] Bolivar County Clarke County [GO Zone] Franklin County [GO Zone] Humphreys County [GO Zone] Jefferson Davis County [GO Zone] Lauderdale County [GO Zone] Lincoln County [GO Zone] Neshoba County [GO Zone] Panola County Quitman County Smith County [GO Zone] Walthall County [GO Zone] Wilkinson County [GO Zone]	Amite County [GO Zone] Chickasaw County Coahoma County George County [GO Zone] Issaquena County Jones County [GO Zone] Lawrence County [GO Zone] Lowndes County [GO Zone] Newton County [GO Zone] Pearl River County [GO Zone] Scott County [GO Zone] Stone County [GO Zone] Warren County [GO Zone] Winston County [GO Zone]	Attala County [GO Zone] Choctaw County [GO Zone] Copiah County [GO Zone] Greene County [GO Zone] Jasper County [GO Zone] Kemper County [GO Zone] Leake County [GO Zone] Marion County [GO Zone] Noxubee County [GO Zone] Perry County [GO Zone] Sharkey County Tallahatchie County Washington County Yazoo County [GO Zone]
Missouri	Stone County	Taney County	
Montana	Beaverhead County Madison County Ravalli County	Flathead County Meagher County Sanders County	Gallatin County Mineral County
Nevada	Carson City Storey County	Churchill County	Douglas County Lyon County
New Hampshire	Belknap County HILLSBOROUGH COUNTY (part) towns of Francesstown town Lyndeborough town Temple town MERRIMACK COUNTY (part) towns of Bradford town Danbury town Henniker town Newbury town Pittsfield town Webster town ROCKINGHAM COUNTY (part) towns of STRAFFORD COUNTY (part) towns of	Carroll County Antrim town Greenfield town New Boston town Windsor town Andover town Canterbury town Dunbarton town Hill town New London town Salisbury town Wilnot town Deerfield town Middleton town	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
			Grafton County Deering town Hillsborough town Sharon town Bow town Concord city Franklin city Loudon town Pembroke town Warner town Nottingham town Stafford town

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

State	Nonmetropolitan Counties or County Equivalents			
New Mexico	Chaves County	Grant County	Guadalupe County	Lincoln County
	McKinley County	Mora County	Rio Arriba County	San Juan County
	San Miguel County	Taos County		
New York	Cortland County	Greene County	Jefferson County	Sullivan County
	Tompkins County	Ulster County		
North Carolina	Avery County	Chowan County	Cleveland County	Dare County
	Gates County	Haywood County	Hoke County	Hyde County
	Jackson County	Jones County	Macon County	McDowell County
	Mitchell County	Pasquotank County	Perquimans County	Rutherford County
	Scotland County	Tyrrell County	Washington County	Watauga County
	Hughes County	Muskegee County	Okfuskee County	
	Clatsop County	Coos County	Crook County	Curry County
Oregon	Deschutes County	Douglas County	Gilliam County	Grant County
	Hood River County	Josephine County	Linn County	Linn County
	Morrow County	Tillamook County	Union County	Wheeler County
	Monroe County	Wayne County		
	NEWPORT COUNTY (part) towns of	Middleton town	Newport city	Portsmouth town
South Carolina	Beaufort County			
Tennessee	Bedford County	Haywood County	Polk County	
Texas	Anderson County	Angelina County [GO Zone]	Aransas County	Brown County
	Camp County	Coke County	Coleman County	Comanche County
	Dallam County	Eastland County	Erath County	Frio County
	Gillespie County	Houston County	Jasper County [GO Zone]	Kendall County
	Kerr County	Kleberg County	Lamar County	Leon County
	Llano County	Madison County	Marion County	Medina County
	Mills County	Montague County	Morris County	Nacogdoches County [GO Zone]
	Navarro County	Newton County [GO Zone]	Palo Pinto County	Polk County [GO Zone]
	Red River County	Robertson County	Sabine County [GO Zone]	San Augustine County [GO Zone]
	San Jacinto County [GO Zone]	San Saba County	Shelby County [GO Zone]	Titus County
	Trinity County [GO Zone]	Tyler County [GO Zone]	Walker County [GO Zone]	
	Beaver County	Cache County	Garfield County	Juab County
	Millard County	Plute County	Rich County	Sanpete County
	Sevier County	Summit County	Wasatch County	Washington County
	Wayne County			
Utah				

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

State	Nonmetropolitan Counties or County Equivalents		
Vermont	Addison County FRANKLIN COUNTY (part) towns of Fairfield town Montgomery town GRAND ISLE COUNTY (part) towns of Windham County	Bennington County Bakersfield town Fletcher town Richford town Alburg town	Enosburg town Highgate town North Hero town
Virginia	Louisa County	Northampton County	Westmoreland County
Washington	Galliam County Kittitas County San Juan County	Douglas County Klickitat County Skagit County	Grays Harbor County Lewis County Skamania County
West Virginia	Calhoun County Pendleton County Wirt County	Clay County Preston County	Doddridge County Roane County
Wyoming	Teton County		Grant County Taylor County
American Samoa	Eastern District	Manu'a District	Western District
Guam	Guam		Swains Island
Northern Mariana Islands	Northern Islands Municipality		
Puerto Rico	Adjuntas Municipio Ciales Municipio Guayama Municipio Lares Municipio Orocovis Municipio Salinas Municipio Vieques Municipio	Rota Municipio Albonito Municipio Coamo Municipio Isabela Municipio Las Marias Municipio Patillas Municipio San Sebastian Municipio	Saipan Municipality Arroyo Municipio Culebra Municipio Jayuya Municipio Maricao Municipio Quebradillas Municipio Santa Isabel Municipio
Virgin Islands	St. Croix	St. John	St. Thomas

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