

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

[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, SW, Washington, DC 20410, telephone (202) 708-0426, e-mail 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, NW, 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, SW, Washington, DC 20410, telephone (202) 708-3260, e-mail H_JERRY_GROSS@hud.gov. A telecommunications device for deaf persons (TTY) 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.

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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 50.20 of the HUD regulations, the policies and actions in this notice are determined not to have the potential of having a

significant impact on the quality of human environment and therefore further environmental review under the National Environmental Policy Act is not necessary.

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" for use by political subdivisions of the States in allocating the LIHTC, as required by section 42 of the Code, as amended. 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" for the use by political subdivisions of the States in allocating the LIHTC, as required under section 42 of the Internal Revenue Code, as amended. The notice also details the technical methodology used in making such designations.

Dated: October 14, 1997.

Andrew M. Cuomo,
Secretary.

BILLING CODE 4210-32-P

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

STATE	METROPOLITAN AREA and Components	METROPOLITAN AREA and Components	METROPOLITAN AREA and Components	METROPOLITAN AREA and Components
AZ	FLAGSTAFF, AZ (part) Coconino County, AZ	YUMA, AZ Yuma County		
CA	BAKERSFIELD, CA Kern County	CHICO-PARADISE, CA Butte County	FRESNO, CA Fresno County	LOS ANGELES-LONG BEACH, CA Los Angeles County
	MERCED, CA Merced County	SALINAS, CA Monterey County	SAN FRANCISCO, CA San Francisco County	SAN LUIS OBISPO-ATASCADERO- PASO ROBLES, CA San Luis Obispo County
	SANTA BARBARA-SANTA MARIA-LOMPOC, CA Santa Barbara County	SANTA CRUZ-WATSONVILLE, CA Santa Cruz County	SANTA ROSA, CA Sonoma 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	FORT LAUDERDALE, FL Broward County OCALA, FL Marion County	FORT MYERS-CAPE CORAL, FL Lee County ORLANDO, FL Lake County Orange County	FORT PIERCE-PORT LUCIE, FL Martin County St. Lucie County PUNTA GORDA, FL Charlotte County
	SARASOTA-BRADENTON, FL Manatee County Sarasota 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.)

STATE	METROPOLITAN AREA and Components	METROPOLITAN AREA and Components	METROPOLITAN AREA and Components	METROPOLITAN AREA and Components
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	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
	WESTCHESTER COUNTY, NY Westchester County			
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.)

STATE	METROPOLITAN AREA and Components	METROPOLITAN AREA and Components	METROPOLITAN AREA and Components	METROPOLITAN AREA and Components
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

STATE	NONMETROPOLITAN COUNTY OR COUNTY EQUIVALENT	NONMETROPOLITAN COUNTY OR COUNTY EQUIVALENT	NONMETROPOLITAN COUNTY OR COUNTY EQUIVALENT	NONMETROPOLITAN COUNTY OR COUNTY EQUIVALENT
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 Norfolk town Colebrook town North Canaan town Cornwall town Salisbury town Goshen town Kent town Torrington town Warren town Morris town	MIDDLESEX COUNTY (part) Chester town Deep River town Essex town Westbrook town		
DE	SUSSEX COUNTY	BRADFORD COUNTY	CALHOUN COUNTY	CITRUS COUNTY
FL	BAKER COUNTY FRANKLIN COUNTY HAMILTON COUNTY HOLMES COUNTY LAFAYETTE COUNTY MONROE COUNTY SUWANNEE COUNTY WALTON COUNTY	COLUMBIA COUNTY GILCHRIST COUNTY HARDEE COUNTY INDIAN RIVER COUNTY LEVY COUNTY OKEECHOBEE COUNTY TAYLOR COUNTY WASHINGTON COUNTY	DESOTO COUNTY GLADES COUNTY HENDRY COUNTY JACKSON COUNTY LIBERTY COUNTY PUTNAM COUNTY UNION COUNTY	DIXIE COUNTY GULF COUNTY HIGHLANDS COUNTY JEFFERSON COUNTY MADISON COUNTY SUMTER COUNTY WAKULLA COUNTY

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

STATE	NONMETROPOLITAN COUNTY OR COUNTY EQUIVALENT	NONMETROPOLITAN COUNTY OR COUNTY EQUIVALENT	NONMETROPOLITAN COUNTY OR COUNTY EQUIVALENT	NONMETROPOLITAN COUNTY OR COUNTY EQUIVALENT
GA	BUTTS COUNTY	DAWSON COUNTY	LIBERTY COUNTY	
HI	HAWAII COUNTY	KAUAI COUNTY	MAUI COUNTY	
ID	BONNER COUNTY	KOOTENAI COUNTY		
KS	RILEY COUNTY			
KY	HARLAN COUNTY	KNOX COUNTY	LAUREL COUNTY	
LA	ALLEN PARISH CLAIBORNE PARISH EVANGELINE PARISH MADISON PARISH RED RIVER PARISH ST. MARY PARISH WASHINGTON PARISH	AVOUELLES PARISH CONCORDIA PARISH FRANKLIN PARISH MOREHOUSE PARISH RICHLAND PARISH TANGIPAHOA PARISH WEST CARROLL PARISH	CALDWELL PARISH DE SOTO PARISH GRANT PARISH NATCHITOCHES PARISH SABINE PARISH TENSAS PARISH WEST FELICIANA PARISH	CATAHOULA PARISH EAST CARROLL PARISH JEFFERSON DAVIS PARISH POINTE COUPEE PARISH ST. HELENA PARISH VERNON PARISH
MA	BARNSTABLE COUNTY (part) Bourne town Falmouth town Provincetown town Truro town Wellfleet town	DUKES COUNTY	FRANKLIN COUNTY (part) Ashfield town Bernardston town Buckland town Charlemont town Colrain town Conway town Deerfield town Erving town Gill town Greenfield town Hawley town Heath town Whately town WORCESTER COUNTY (part) Athol town Hardwick town Hubbardston town Petersham town Warren town	HAMPDEN COUNTY (part) Blandford town Brimfield town Chester town Granville town Tolland town Wales town
	HAMPSHIRE COUNTY (part) Chesterfield town Cummington town Goshen town Middlefield town Pelham town Plainfield town Westhampton town Worthington town	NANTUCKET COUNTY		

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

STATE	NONMETROPOLITAN COUNTY OR COUNTY EQUIVALENT	NONMETROPOLITAN COUNTY OR COUNTY EQUIVALENT	NONMETROPOLITAN COUNTY OR COUNTY EQUIVALENT	NONMETROPOLITAN COUNTY OR COUNTY EQUIVALENT
ME	ANDROSCOGGIN COUNTY (part) Durham town Leeds town Livermore town Livermore Falls town Minot town	AROOSTOOK COUNTY	CUMBERLAND COUNTY (part) Baldwin town Bridgton town Brunswick town Harpwell town Harrison town Sebago town	FRANKLIN COUNTY
	HANCOCK COUNTY	KNOX COUNTY	LINCOLN COUNTY	OXFORD COUNTY
	PENOBSCOT COUNTY (part) Alton town Lagrange town Lakeville town Lee town Levant town Lincoln town Lowell town Mattawamkeag town Maxfield town Medway town Millinocket town Mount Chase town Newburgh town Newport town North Penobscot unorg. Dexter town Dixmont town Drew plantation East Central town Penobscot unorg. East Millinocket town Edinburg town Enfield town Etna town Exeter town Garland town Greenbush town Greenfield town Howland town Hudson town Kingman unorg. Woodville town	WALDO COUNTY (part) Belfast city Belmont town Brooks town Burnham town Frankfort town Freedom town Islesboro town Jackson 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) 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 Parsonfield town Saco city Sanford town Shapleigh town Waterboro town Wells town	SOMERSET COUNTY
	PISCATAQUIS COUNTY	WASHINGTON COUNTY	SAGadahoc COUNTY	LAFAYETTE COUNTY
	BOLIVAR COUNTY	COAHOMA COUNTY	ISSAQUENA COUNTY	
	WASHINGTON COUNTY			
MS				

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

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

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

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