



U.S. Small Business Administration

## Qualified Census Tract

### What is a Qualified Census Tract (QCT)?

The Small Business Act defines a QCT as having the meaning set forth in Section 42 of the Internal Revenue Code of 1986. That section of the tax code defines a QCT for purposes of the Low Income Housing Tax Credit (LIHTC) program. The US Department of Housing and Urban Development (HUD) designates QCTs for purposes of the LIHTC program.

The LIHTC statute provides two criteria for QCT eligibility. A census tract must have either:

- 1) a poverty rate of at least 25 percent; or
- 2) 50 percent or more of its householders must have incomes below 60 percent of the area median household income.

The area corresponds to a metropolitan or a non-metropolitan area.

Further, the LIHTC statute requires that no more than 20 percent of the metropolitan area population reside within designated QCTs (This limit also applies collectively to the nonmetropolitan counties in each state).

Thus, it is possible for a tract to meet one or both of the above criteria, but not be designated as a QCT. The LIHTC statute does not provide for an appeal process to change the QCT designation of an individual census tract.

With respect to the census tracts, the Census Bureau defines them in cooperation with local authorities every ten years for the purposes of the decennial census and, following a public comment period, has recently completed defining tract boundaries for the 2010 Census. Note that when census tract boundaries are set, they remain unchanged for the next decade. Thus, tract boundaries will not be changed until the 2020 Decennial Census.

**QUESTIONS CONTACT:** HUBZone helpdesk - - - [hubzone@sba.gov](mailto:hubzone@sba.gov) or (202) 205-8885

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