



The role of *Qualified Census Tracts* in Local Fiscal Recovery Funds



HOW DO QCTs RELATE TO LFRF?

In the context of the American Rescue Plan and Coronavirus Local Fiscal Recovery Funds (LFRF), the Qualified Census Tract (QCT) is an accessible and convenient tool that readily identifies areas in need of support. Treasury's [Interim Final Rule](#) states that funding activities in QCTs, "...may speed implementation and decrease administrative burden, while identifying areas of need at a highly-localized level."

Local governments can view LFRF expenditures in QCTs as a presumption - funds spent on a wide range of eligible uses in QCTs are presumed by Treasury to be responding to the pandemic since evidence of need in these areas is already documented. Less documentation required means a lesser administrative and regulatory burden for using LFRF in these areas.

WHAT IS A QCT?

They are a common method for identifying communities with a large proportion of low-income residents. Qualified Census Tracts (QCTs) are areas where 50% or more of the households have incomes below 60% of the area median income, or where the poverty rate is 25% or higher. Section 42 of the Internal Revenue Code defines them and further restricts the total population of designated QCTs to 20% of area population.

WHO DESIGNATES THEM?

The U.S. Department of Housing and Urban Development (HUD) designates QCTs for the Low-Income Housing Tax Credit (LIHTC) Program, and HUD is a primary source for determining eligibility of census tracts for QCT designation. These tracts are designated periodically as new decennial census data become available or as metropolitan area definitions change.

Read a [policy brief from HUD](#) officials for more information about the history, methodology, and practical issues of QCTs.

Eligible uses of LFRF in QCTs

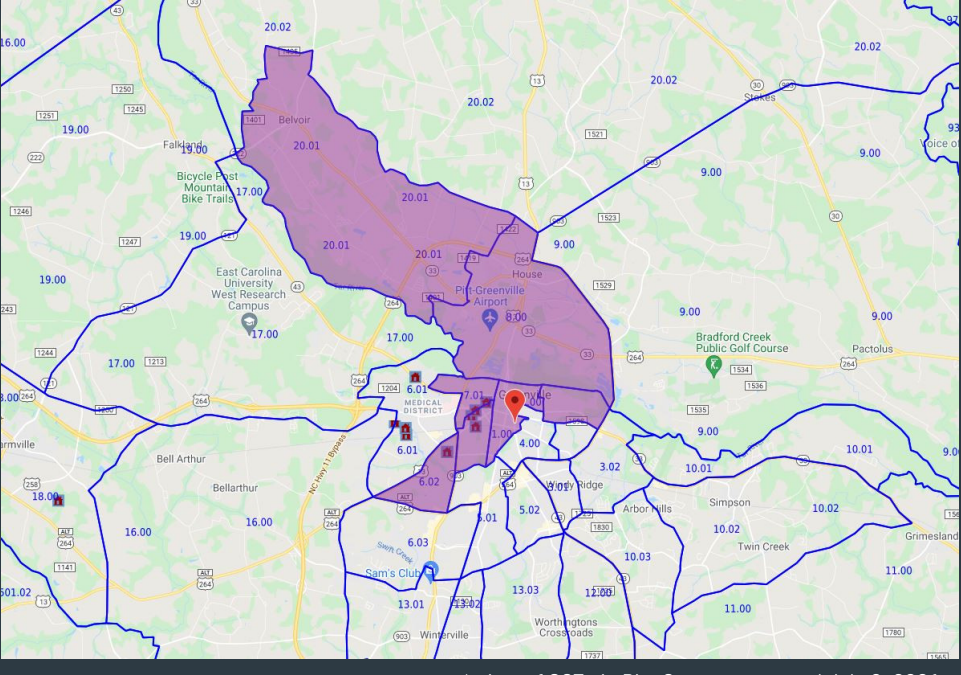
The presumption for QCTs in Treasury's guidance allows for a wide range of public health and economic support activities to be funded with LFRF. Any [eligible use](#) of LFRF will be eligible in a QCT, and Treasury explicitly lists certain types of services as eligible when provided in a QCT, to families living in QCTs, or when these services are provided by Tribal governments. Below is Treasury's non-exhaustive list of broad categories of eligible services. [Click here](#) for a list of specific services mentioned in Treasury guidance and for information about various uses of these funds.

- *Addressing Disparities in Public Health Outcomes;*
- *Building Stronger Communities through Investments in Housing and Neighborhoods;*
- *Addressing Educational Disparities;*
- *Promoting Health Childhood Environments.*

An important note here is that Treasury's guidance allows recipients to provide these services to other populations, households, or geographic areas that are disproportionately impacted by the pandemic, provided that, "...recipients should be able to support their determination that the pandemic resulted in disproportionate public health or economic outcomes to the specific populations, households, or geographic areas to be served."

- Examples of such populations are:
- *Seniors;*
 - *Areas with a high concentration of minority residents;*
 - *Areas with a high concentration of migrant workers;*
 - *Concentrations of low-income residents who don't reside in a QCT.*

Where are QCTs in North Carolina?



A view of QCTs in Pitt County generated July 9, 2021

The HUD website [offers a QCT Table Generator](#) that will list and map QCTs designated as of January 1, 2021. Of the state's 100 counties, 76 feature at least one QCT and more than half of North Carolina QCTs lie outside of counties with the largest metropolitan areas (Wake, Mecklenburg, Guilford, Forsyth).