

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2006

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 0-21762

Gateway Tax Credit Fund III Ltd.

(Exact name of Registrant as specified in its charter)

Florida

59-3090386

(State or other jurisdiction of  
incorporation or organization)

(IRS Employer No.)

880 Carillon Parkway, St. Petersburg, Florida

33716

(Address of principal executive offices)

(Zip Code)

Registrant's Telephone Number, Including Area Code: (727) 567-1000

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES ☒ NO ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

PART I - Financial Information

Item 1. Financial Statements

GATEWAY TAX CREDIT FUND III LTD.  
(A Florida Limited Partnership)  
BALANCE SHEET

SERIES 7	JUNE 30, 2006 ----- (Unaudited)	MARCH 31, 2006 ----- (Audited)
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 374,087	\$ 394,030
Investments in Securities	77,549	76,135
	-----	-----
Total Current Assets	451,636	470,165
Investments in Securities	76,376	74,969
Investments in Project Partnerships, Net	620,044	641,745
	-----	-----
Total Assets	\$1,148,056	\$1,186,879
	=====	=====
LIABILITIES AND PARTNERS' EQUITY		
Current Liabilities:		
Payable to General Partners	\$ 54,074	\$ 60,090
	-----	-----
Total Current Liabilities	54,074	60,090
	-----	-----
Long-Term Liabilities:		
Payable to General Partners	665,935	644,426
	-----	-----
Partners' Equity (Deficit):		
Limited Partners (10,395 units for Series 7 at June 30, 2006 and March 31, 2006)	515,045	568,818
General Partners	(86,998)	(86,455)
	-----	-----
Total Partners' Equity	428,047	482,363
	-----	-----
Total Liabilities and Partners' Equity	\$1,148,056	\$1,186,879
	=====	=====

See accompanying notes to financial statements.

GATEWAY TAX CREDIT FUND III LTD.  
(A Florida Limited Partnership)  
BALANCE SHEET

SERIES 8	JUNE 30, 2006 ----- (Unaudited)	MARCH 31, 2006 ----- (Audited)
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 287,350	\$ 309,318
Investments in Securities	73,826	72,553
Accounts Receivable	24,220	24,220
	-----	-----
Total Current Assets	385,396	406,091
Investments in Securities	73,232	71,956
Investments in Project Partnerships, Net	416,400	415,344
	-----	-----
Total Assets	\$ 875,028	\$ 893,391
	=====	=====
LIABILITIES AND PARTNERS' EQUITY		
Current Liabilities:		
Payable to General Partners	\$ 44,745	\$ 51,363
	-----	-----
Total Current Liabilities	44,745	51,363
	-----	-----
Long-Term Liabilities:		
Payable to General Partners	706,677	684,306
	-----	-----
Partners' Equity (Deficit):		
Limited Partners (9,980 units for Series 8		
at June 30, 2006 and March 31, 2006)	209,995	243,770
General Partners	(86,389)	(86,048)
	-----	-----
Total Partners' Equity	123,606	157,722
	-----	-----
Total Liabilities and Partners' Equity	\$ 875,028	\$ 893,391
	=====	=====

See accompanying notes to financial statements.

GATEWAY TAX CREDIT FUND III LTD.  
(A Florida Limited Partnership)  
BALANCE SHEET

SERIES 9	JUNE 30, 2006 ----- (Unaudited)	MARCH 31, 2006 ----- (Audited)
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 210,417	\$ 222,993
Investments in Securities	41,381	40,745
	-----	-----
Total Current Assets	251,798	263,738
Investments in Securities	80,396	79,134
Investments in Project Partnerships, Net	535,224	550,442
	-----	-----
Total Assets	\$ 867,418	\$ 893,314
	=====	=====
LIABILITIES AND PARTNERS' EQUITY		
Current Liabilities:		
Payable to General Partners	\$ 25,733	\$ 30,066
	-----	-----
Total Current Liabilities	25,733	30,066
	-----	-----
Long-Term Liabilities:		
Payable to General Partners	440,973	428,649
	-----	-----
Partners' Equity (Deficit):		
Limited Partners (6,254 units for Series 9 at June 30, 2006 and March 31, 2006)	451,541	485,089
General Partners	(50,829)	(50,490)
	-----	-----
Total Partners' Equity	400,712	434,599
	-----	-----
Total Liabilities and Partners' Equity	\$ 867,418	\$ 893,314
	=====	=====

See accompanying notes to financial statements.

GATEWAY TAX CREDIT FUND III LTD.  
(A Florida Limited Partnership)  
BALANCE SHEET

SERIES 10	JUNE 30, 2006 ----- (Unaudited)	MARCH 31, 2006 ----- (Audited)
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 140,533	\$ 144,697
Investments in Securities	30,975	30,440
	-----	-----
Total Current Assets	171,508	175,137
Investments in Securities	92,197	90,576
Investments in Project Partnerships, Net	1,338,644	1,360,959
	-----	-----
Total Assets	\$1,602,349	\$1,626,672
	=====	=====
LIABILITIES AND PARTNERS' EQUITY		
Current Liabilities:		
Payable to General Partners	\$ 28,472	\$ 31,675
	-----	-----
Total Current Liabilities	28,472	31,675
	-----	-----
Long-Term Liabilities:		
Payable to General Partners	53,543	45,123
	-----	-----
Partners' Equity (Deficit):		
Limited Partners (5,043 units for Series 10 at June 30, 2006 and March 31, 2006)	1,549,309	1,578,554
General Partners	(28,975)	(28,680)
	-----	-----
Total Partners' Equity	1,520,334	1,549,874
	-----	-----
Total Liabilities and Partners' Equity	\$1,602,349	\$1,626,672
	=====	=====

See accompanying notes to financial statements.

GATEWAY TAX CREDIT FUND III LTD.  
(A Florida Limited Partnership)  
BALANCE SHEET

SERIES 11	JUNE 30, 2006 ----- (Unaudited)	MARCH 31, 2006 ----- (Audited)
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 192,838	\$ 207,490
Investments in Securities	36,349	35,682
	-----	-----
Total Current Assets	229,187	243,172
Investments in Securities	103,489	101,561
Investments in Project Partnerships, Net	1,931,368	1,926,349
	-----	-----
Total Assets	\$2,264,044	\$2,271,082
	=====	=====
LIABILITIES AND PARTNERS' EQUITY		
Current Liabilities:		
Payable to General Partners	\$ 9,783	\$ 13,071
	-----	-----
Total Current Liabilities	9,783	13,071
	-----	-----
Partners' Equity (Deficit):		
Limited Partners (5,127 units for Series 11 at June 30, 2006 and March 31, 2006)	2,277,709	2,281,421
General Partners	(23,448)	(23,410)
	-----	-----
Total Partners' Equity	2,254,261	2,258,011
	-----	-----
Total Liabilities and Partners' Equity	\$2,264,044	\$2,271,082
	=====	=====

See accompanying notes to financial statements.

GATEWAY TAX CREDIT FUND III LTD.  
(A Florida Limited Partnership)  
BALANCE SHEET

TOTAL SERIES 7 - 11	JUNE 30, 2006 ----- (Unaudited)	MARCH 31, 2006 ----- (Audited)
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 1,205,225	\$ 1,278,528
Investments in Securities	260,080	255,555
Accounts Receivable	24,220 -----	24,220 -----
Total Current Assets	1,489,525	1,558,303
Investments in Securities	425,690	418,196
Investments in Project Partnerships, Net	4,841,680 -----	4,894,839 -----
Total Assets	\$ 6,756,895 =====	\$ 6,871,338 =====
LIABILITIES AND PARTNERS' EQUITY		
Current Liabilities:		
Payable to General Partners	\$ 162,807 -----	\$ 186,265 -----
Total Current Liabilities	162,807 -----	186,265 -----
Long-Term Liabilities:		
Payable to General Partners	1,867,128 -----	1,802,504 -----
Partners' Equity (Deficit):		
Limited Partners (10,395 units for Series 7, 9,980 for Series 8, 6,254 for Series 9, 5,043 for Series 10 and 5,127 for Series 11 at June 30, 2006 and March 31, 2006)	5,003,599	5,157,652
General Partners	(276,639) -----	(275,083) -----
Total Partners' Equity	4,726,960 -----	4,882,569 -----
Total Liabilities and Partners' Equity	\$ 6,756,895 =====	\$ 6,871,338 =====

See accompanying notes to financial statements.

GATEWAY TAX CREDIT FUND III LTD.  
(A Florida Limited Partnership)

STATEMENTS OF OPERATIONS  
FOR THE THREE MONTHS ENDED JUNE 30,  
(Unaudited)

SERIES 7	2006	2005
	----	----
Revenues:		
Distribution Income	\$ 4,626	\$ 4,363
	-----	-----
Total Revenues	4,626	4,363
	-----	-----
Expenses:		
Asset Management Fee-General Partner	21,509	21,612
General and Administrative:		
General Partner	23,938	17,902
Other	2,883	5,561
Amortization	8,721	1,553
	-----	-----
Total Expenses	57,051	46,628
	-----	-----
Loss Before Equity in Losses of Project Partnerships and Other Income	(52,425)	(42,265)
Equity in Losses of Project Partnerships	(8,794)	(27,286)
Interest Income	6,903	6,071
	-----	-----
Net Loss	\$ (54,316)	\$ (63,480)
	=====	=====
Allocation of Net Loss:		
Limited Partners	\$ (53,773)	\$ (62,845)
General Partners	(543)	(635)
	-----	-----
	\$ (54,316)	\$ (63,480)
	=====	=====
Net Loss Per Number of Limited Partnership Units	\$ (5.17)	\$ (6.05)
	=====	=====
Number of Limited Partnership Units Outstanding	10,395	10,395
	=====	=====

See accompanying notes to financial statements.



GATEWAY TAX CREDIT FUND III LTD.  
(A Florida Limited Partnership)

STATEMENTS OF OPERATIONS  
FOR THE THREE MONTHS ENDED JUNE 30,  
(Unaudited)

SERIES 8	2006	2005
	----	----
Revenues:		
Distribution Income	\$ 7,529	\$ 9,521
	-----	-----
Total Revenues	7,529	9,521
	-----	-----
Expenses:		
Asset Management Fee-General Partner	22,372	22,477
General and Administrative:		
General Partner	26,393	19,738
Other	2,621	5,998
Amortization	3,206	567
	-----	-----
Total Expenses	54,592	48,780
	-----	-----
Loss Before Equity in Income of Project Partnerships and Other Income	(47,063)	(39,259)
Equity in Income of Project Partnerships	7,220	4,683
Interest Income	5,727	5,359
	-----	-----
Net Loss	\$ (34,116)	\$ (29,217)
	=====	=====
Allocation of Net Loss:		
Limited Partners	\$ (33,775)	\$ (28,925)
General Partners	(341)	(292)
	-----	-----
	\$ (34,116)	\$ (29,217)
	=====	=====
Net Loss Per Number of Limited Partnership Units	\$ (3.38)	\$ (2.90)
	=====	=====
Number of Limited Partnership Units Outstanding	9,980	9,980
	=====	=====

See accompanying notes to financial statements.

GATEWAY TAX CREDIT FUND III LTD.  
(A Florida Limited Partnership)

STATEMENTS OF OPERATIONS  
FOR THE THREE MONTHS ENDED JUNE 30,  
(Unaudited)

SERIES 9	2006	2005
	----	----
Revenues:		
Distribution Income	\$ 4,809	\$ 3,042
	-----	-----
Total Revenues	4,809	3,042
	-----	-----
Expenses:		
Asset Management Fee-General Partner	12,325	12,377
General and Administrative:		
General Partner	14,731	11,017
Other	1,220	4,211
Amortization	3,013	594
	-----	-----
Total Expenses	31,289	28,199
	-----	-----
Loss Before Equity in Losses of Project Partnerships and Other Income	(26,480)	(25,157)
Equity in Losses of Project Partnerships	(11,605)	(23,218)
Interest Income	4,198	3,651
	-----	-----
Net Loss	\$ (33,887)	\$ (44,724)
	=====	=====
Allocation of Net Loss:		
Limited Partners	\$ (33,548)	\$ (44,277)
General Partners	(339)	(447)
	-----	-----
	\$ (33,887)	\$ (44,724)
	=====	=====
Net Loss Per Number of Limited Partnership Units	\$ (5.36)	\$ (7.08)
	=====	=====
Number of Limited Partnership Units Outstanding	6,254	6,254
	=====	=====

See accompanying notes to financial statements.

GATEWAY TAX CREDIT FUND III LTD.  
(A Florida Limited Partnership)

STATEMENTS OF OPERATIONS  
FOR THE THREE MONTHS ENDED JUNE 30,  
(Unaudited)

SERIES 10	2006	2005
	----	----
Revenues:		
Distribution Income	\$ 1,381	\$ 1,380
	-----	-----
Total Revenues	1,381	1,380
	-----	-----
Expenses:		
Asset Management Fee-General Partner	8,420	8,455
General and Administrative:		
General Partner	9,207	6,886
Other	1,445	2,179
Amortization	6,027	1,191
	-----	-----
Total Expenses	25,099	18,711
	-----	-----
Loss Before Equity in Losses of Project Partnerships and Other Income	(23,718)	(17,331)
Equity in Losses of Project Partnerships	(9,512)	(20,054)
Interest Income	3,690	3,315
	-----	-----
Net Loss	\$ (29,540)	\$ (34,070)
	=====	=====
Allocation of Net Loss:		
Limited Partners	\$ (29,245)	\$ (33,729)
General Partners	(295)	(341)
	-----	-----
	\$ (29,540)	\$ (34,070)
	=====	=====
Net Loss Per Number of Limited Partnership Units	\$ (5.80)	\$ (6.69)
	=====	=====
Number of Limited Partnership Units Outstanding	5,043	5,043
	=====	=====

See accompanying notes to financial statements.

GATEWAY TAX CREDIT FUND III LTD.  
(A Florida Limited Partnership)

STATEMENTS OF OPERATIONS  
FOR THE THREE MONTHS ENDED JUNE 30,  
(Unaudited)

SERIES 11	2006	2005
	----	----
Revenues:		
Distribution Income	\$ 0	\$ 987
	-----	-----
Total Revenues	0	987
	-----	-----
Expenses:		
Asset Management Fee-General Partner	6,938	7,005
General and Administrative:		
General Partner	7,365	5,508
Other	933	2,010
Amortization	8,374	1,477
	-----	-----
Total Expenses	23,610	16,000
	-----	-----
Loss Before Equity in Income (Losses) of Project Partnerships and Other Income	(23,610)	(15,013)
Equity in Income (Losses) of Project Partnerships	15,180	(24,224)
Interest Income	4,680	4,147
	-----	-----
Net Loss	\$ (3,750)	\$ (35,090)
	=====	=====
Allocation of Net Loss:		
Limited Partners	\$ (3,712)	\$ (34,739)
General Partners	(38)	(351)
	-----	-----
	\$ (3,750)	\$ (35,090)
	=====	=====
Net Loss Per Number of Limited Partnership Units	\$ (.72)	\$ (6.78)
	=====	=====
Number of Limited Partnership Units Outstanding	5,127	5,127
	=====	=====

See accompanying notes to financial statements.

GATEWAY TAX CREDIT FUND III LTD.  
(A Florida Limited Partnership)

STATEMENTS OF OPERATIONS  
FOR THE THREE MONTHS ENDED JUNE 30,  
(Unaudited)

TOTAL SERIES 7 - 11	2006	2005
	----	----
Revenues:		
Distribution Income	\$ 18,345	\$ 19,293
	-----	-----
Total Revenues	18,345	19,293
	-----	-----
Expenses:		
Asset Management Fee-General Partner	71,564	71,926
General and Administrative:		
General Partner	81,634	61,051
Other	9,102	19,959
Amortization	29,341	5,382
	-----	-----
Total Expenses	191,641	158,318
	-----	-----
Loss Before Equity in Losses of Project Partnerships and Other Income	(173,296)	(139,025)
Equity in Losses of Project Partnerships	(7,511)	(90,099)
Interest Income	25,198	22,543
	-----	-----
Net Loss	\$ (155,609)	\$ (206,581)
	=====	=====
Allocation of Net Loss:		
Limited Partners	\$ (154,053)	\$ (204,515)
General Partners	(1,556)	(2,066)
	-----	-----
	\$ (155,609)	\$ (206,581)
	=====	=====

See accompanying notes to financial statements.

GATEWAY TAX CREDIT FUND III LTD.  
(A Florida Limited Partnership)

STATEMENTS OF PARTNERS' EQUITY (DEFICIT)

FOR THE THREE MONTHS ENDED JUNE 30, 2006 AND 2005:  
(Unaudited)

SERIES 7	Limited Partners -----	General Partners -----	Total -----
Balance at March 31, 2005	\$ 1,031,936	\$ (81,777)	\$ 950,159
Net Loss	(62,845) -----	(635) -----	(63,480) -----
Balance at June 30, 2005	\$ 969,091 =====	\$ (82,412) =====	\$ 886,679 =====
Balance at March 31, 2006	\$ 568,818	\$ (86,455)	\$ 482,363
Net Loss	(53,773) -----	(543) -----	(54,316) -----
Balance at June 30, 2006	\$ 515,045 =====	\$ (86,998) =====	\$ 428,047 =====

See accompanying notes to financial statements.

GATEWAY TAX CREDIT FUND III LTD.  
(A Florida Limited Partnership)

STATEMENTS OF PARTNERS' EQUITY (DEFICIT)

FOR THE THREE MONTHS ENDED JUNE 30, 2006 AND 2005:  
(Unaudited)

SERIES 8	Limited Partners -----	General Partners -----	Total -----
Balance at March 31, 2005	\$ 458,094	\$ (83,883)	\$ 374,211
Net Loss	(28,925)	(292)	(29,217)
	-----	-----	-----
Balance at June 30, 2005	\$ 429,169	\$ (84,175)	\$ 344,994
	=====	=====	=====
Balance at March 31, 2006	\$ 243,770	\$ (86,048)	\$ 157,722
Net Loss	(33,775)	(341)	(34,116)
	-----	-----	-----
Balance at June 30, 2006	\$ 209,995	\$ (86,389)	\$ 123,606
	=====	=====	=====

See accompanying notes to financial statements.

GATEWAY TAX CREDIT FUND III LTD.  
(A Florida Limited Partnership)

STATEMENTS OF PARTNERS' EQUITY (DEFICIT)

FOR THE THREE MONTHS ENDED JUNE 30, 2006 AND 2005:  
(Unaudited)

SERIES 9	Limited Partners -----	General Partners -----	Total -----
Balance at March 31, 2005	\$ 822,760	\$ (47,079)	\$ 775,681
Net Loss	(44,277)	(447)	(44,724)
	-----	-----	-----
Balance at June 30, 2005	\$ 778,483	\$ (47,526)	\$ 730,957
	=====	=====	=====
Balance at March 31, 2006	\$ 485,089	\$ (50,490)	\$ 434,599
Net Loss	(33,548)	(339)	(33,887)
	-----	-----	-----
Balance at June 30, 2006	\$ 451,541	\$ (50,829)	\$ 400,712
	=====	=====	=====

See accompanying notes to financial statements.



GATEWAY TAX CREDIT FUND III LTD.  
(A Florida Limited Partnership)

STATEMENTS OF PARTNERS' EQUITY (DEFICIT)

FOR THE THREE MONTHS ENDED JUNE 30, 2006 AND 2005:  
(Unaudited)

SERIES 10	Limited Partners -----	General Partners -----	Total -----
Balance at March 31, 2005	\$ 1,930,927	\$ (25,121)	\$ 1,905,806
Net Loss	(33,729) -----	(341) -----	(34,070) -----
Balance at June 30, 2005	\$ 1,897,198 =====	\$ (25,462) =====	\$ 1,871,736 =====
Balance at March 31, 2006	\$ 1,578,554	\$ (28,680)	\$ 1,549,874
Net Loss	(29,245) -----	(295) -----	(29,540) -----
Balance at June 30, 2006	\$ 1,549,309 =====	\$ (28,975) =====	\$ 1,520,334 =====

See accompanying notes to financial statements.

GATEWAY TAX CREDIT FUND III LTD.  
(A Florida Limited Partnership)

STATEMENTS OF PARTNERS' EQUITY (DEFICIT)

FOR THE THREE MONTHS ENDED JUNE 30, 2006 AND 2005:  
(Unaudited)

SERIES 11	Limited Partners -----	General Partners -----	Total -----
Balance at March 31, 2005	\$ 3,049,825	\$ (15,649)	\$ 3,034,176
Net Loss	(34,739) -----	(351) -----	(35,090) -----
Balance at June 30, 2005	\$ 3,015,086 =====	\$ (16,000) =====	\$ 2,999,086 =====
Balance March 31, 2006	\$ 2,281,421	\$ (23,410)	\$ 2,258,011
Net Loss	(3,712) -----	(38) -----	(3,750) -----
Balance at June 30, 2006	\$ 2,277,709 =====	\$ (23,448) =====	\$ 2,254,261 =====

See accompanying notes to financial statements.

GATEWAY TAX CREDIT FUND III LTD.  
(A Florida Limited Partnership)

STATEMENTS OF PARTNERS' EQUITY (DEFICIT)

FOR THE THREE MONTHS ENDED JUNE 30, 2006 AND 2005:  
(Unaudited)

TOTAL SERIES 7 - 11	Limited Partners -----	General Partners -----	Total -----
Balance at March 31, 2005	\$ 7,293,542	\$ (253,509)	\$ 7,040,033
Net Loss	(204,515) -----	(2,066) -----	(206,581) -----
Balance at June 30, 2005	\$ 7,089,027 =====	\$ (255,575) =====	\$ 6,833,452 =====
Balance at March 31, 2006	\$ 5,157,652	\$ (275,083)	\$ 4,882,569
Net Loss	(154,053) -----	(1,556) -----	(155,609) -----
Balance at June 30, 2006	\$ 5,003,599 =====	\$ (276,639) =====	\$ 4,726,960 =====

See accompanying notes to financial statements.

GATEWAY TAX CREDIT FUND III LTD.  
(A Florida Limited Partnership)

STATEMENTS OF CASH FLOWS  
FOR THE THREE MONTHS ENDED JUNE 30,  
(Unaudited)

SERIES 7	2006	2005
-----	----	----
Cash Flows from Operating Activities:		
Net Loss	\$ (54,316)	\$ (63,480)
Adjustments to Reconcile Net Loss to Net		
Cash Used in Operating Activities:		
Amortization	8,721	1,553
Accreted Interest Income on Investments		
in Securities	(2,821)	(3,949)
Equity in Losses of Project Partnerships	8,794	27,286
Distribution Income	(4,626)	(4,363)
Changes in Operating Assets and Liabilities:		
Increase in Payable to General Partners	15,493	22,386
	-----	-----
Net Cash Used in Operating Activities	(28,755)	(20,567)
	-----	-----
Cash Flows from Investing Activities:		
Distributions Received from Project		
Partnerships	8,812	5,876
	-----	-----
Net Cash Provided by Investing		
Activities	8,812	5,876
	-----	-----
Decrease in Cash and Cash Equivalents	(19,943)	(14,691)
Cash and Cash Equivalents at Beginning of		
Year	394,030	383,342
	-----	-----
Cash and Cash Equivalents at End of Period	\$ 374,087	\$ 368,651
	=====	=====

See accompanying notes to financial statements.

GATEWAY TAX CREDIT FUND III LTD.  
(A Florida Limited Partnership)

STATEMENTS OF CASH FLOWS  
FOR THE THREE MONTHS ENDED JUNE 30,  
(Unaudited)

SERIES 8 -----	2006 -----	2005 -----
Cash Flows from Operating Activities:		
Net Loss	\$ (34,116)	\$ (29,217)
Adjustments to Reconcile Net Loss to Net Cash Used In Operating Activities:		
Amortization	3,206	567
Accreted Interest Income on Investments in Securities	(2,549)	(3,546)
Equity in Income of Project Partnerships	(7,220)	(4,683)
Distribution Income	(7,529)	(9,521)
Changes in Operating Assets and Liabilities:		
Increase in Payable to General Partners	15,753	22,594
	-----	-----
Net Cash Used in Operating Activities	(32,455)	(23,806)
	-----	-----
Cash Flows from Investing Activities:		
Distributions Received from Project Partnerships	10,487	9,521
	-----	-----
Net Cash Provided by Investing Activities	10,487	9,521
	-----	-----
Decrease in Cash and Cash Equivalents	(21,968)	(14,285)
Cash and Cash Equivalents at Beginning of Year	309,318	325,662
	-----	-----
Cash and Cash Equivalents at End of Period	\$ 287,350	\$ 311,377
	=====	=====

See accompanying notes to financial statements.

GATEWAY TAX CREDIT FUND III LTD.  
(A Florida Limited Partnership)

STATEMENTS OF CASH FLOWS  
FOR THE THREE MONTHS ENDED JUNE 30,  
(Unaudited)

SERIES 9 -----	2006 -----	2005 -----
Cash Flows from Operating Activities:		
Net Loss	\$ (33,887)	\$ (44,724)
Adjustments to Reconcile Net Loss to Net		
Cash Used in Operating Activities:		
Amortization	3,013	594
Accreted Interest Income on Investments		
in Securities	(1,898)	(2,381)
Equity in Losses of Project Partnerships	11,605	23,218
Distribution Income	(4,809)	(3,042)
Changes in Operating Assets and Liabilities:		
Increase in Payable to General Partners	7,991	11,576
	-----	-----
Net Cash Used in Operating Activities	(17,985)	(14,759)
	-----	-----
Cash Flows from Investing Activities:		
Distributions Received from Project		
Partnerships	5,409	3,042
	-----	-----
Net Cash Provided by Investing		
Activities	5,409	3,042
	-----	-----
Decrease in Cash and Cash Equivalents	(12,576)	(11,717)
Cash and Cash Equivalents at Beginning of		
Year	222,993	229,897
	-----	-----
Cash and Cash Equivalents at End of Period	\$ 210,417	\$ 218,180
	=====	=====

See accompanying notes to financial statements.

GATEWAY TAX CREDIT FUND III LTD.  
(A Florida Limited Partnership)

STATEMENTS OF CASH FLOWS  
FOR THE THREE MONTHS ENDED JUNE 30,  
(Unaudited)

SERIES 10	2006	2005
-----	----	----
Cash Flows from Operating Activities:		
Net Loss	\$ (29,540)	\$ (34,070)
Adjustments to Reconcile Net Loss to Net		
Cash Used in Operating Activities:		
Amortization	6,027	1,191
Accreted Interest Income on Investments		
in Securities	(2,156)	(2,520)
Equity in Losses of Project Partnerships	9,512	20,054
Distribution Income	(1,381)	(1,380)
Changes in Operating Assets and Liabilities:		
Increase in Payable to General Partners	5,217	8,326
	-----	-----
Net Cash Used in Operating Activities	(12,321)	(8,399)
	-----	-----
Cash Flows from Investing Activities:		
Distributions Received from Project		
Partnerships	8,157	4,580
	-----	-----
Net Cash Provided by Investing		
Activities	8,157	4,580
	-----	-----
Decrease in Cash and Cash Equivalents	(4,164)	(3,819)
Cash and Cash Equivalents at Beginning of		
Year	144,697	142,638
	-----	-----
Cash and Cash Equivalents at End of Period	\$ 140,533	\$ 138,819
	=====	=====

See accompanying notes to financial statements.

GATEWAY TAX CREDIT FUND III LTD.  
(A Florida Limited Partnership)

STATEMENTS OF CASH FLOWS  
FOR THE THREE MONTHS ENDED JUNE 30,  
(Unaudited)

SERIES 11 -----	2006 -----	2005 -----
Cash Flows from Operating Activities:		
Net Loss	\$ (3,750)	\$ (35,090)
Adjustments to Reconcile Net Loss to Net Cash Used in Operating Activities:		
Amortization	8,374	1,477
Accreted Interest Income on Investments in Securities	(2,595)	(3,033)
Equity in (Income) Losses of Project Partnerships	(15,180)	24,224
Distribution Income	0	(987)
Changes in Operating Assets and Liabilities:		
Decrease in Accounts Receivable	0	6,620
Decrease in Payable to General Partners	(3,288)	0
	-----	-----
Net Cash Used in Operating Activities	(16,439)	(6,789)
	-----	-----
Cash Flows from Investing Activities:		
Distributions Received from Project Partnerships	1,787	1,787
	-----	-----
Net Cash Provided by Investing Activities	1,787	1,787
	-----	-----
Decrease in Cash and Cash Equivalents	(14,652)	(5,002)
Cash and Cash Equivalents at Beginning of Year	207,490	199,931
	-----	-----
Cash and Cash Equivalents at End of Period	\$ 192,838 =====	\$ 194,929 =====

See accompanying notes to financial statements.



GATEWAY TAX CREDIT FUND III LTD.  
(A Florida Limited Partnership)

STATEMENTS OF CASH FLOWS  
FOR THE THREE MONTHS ENDED JUNE 30,  
(Unaudited)

TOTAL SERIES 7 - 11	2006	2005
-----	----	----
Cash Flows from Operating Activities:		
Net Loss	\$ (155,609)	\$ (206,581)
Adjustments to Reconcile Net Loss to Net		
Cash Used in Operating Activities:		
Amortization	29,341	5,382
Accreted Interest Income on Investments		
in Securities	(12,019)	(15,429)
Equity in Losses of Project Partnerships	7,511	90,099
Distribution Income	(18,345)	(19,293)
Changes in Operating Assets and Liabilities:		
Decrease in Accounts Receivable	0	6,620
Increase in Payable to General Partners	41,166	64,882
	-----	-----
Net Cash Used in Operating Activities	(107,955)	(74,320)
	-----	-----
Cash Flows from Investing Activities:		
Distributions Received from Project		
Partnerships	34,652	24,806
	-----	-----
Net Cash Provided by Investing		
Activities	34,652	24,806
	-----	-----
Decrease in Cash and Cash Equivalents	(73,303)	(49,514)
	-----	-----
Cash and Cash Equivalents at Beginning of		
Year	1,278,528	1,281,470
	-----	-----
Cash and Cash Equivalents at End of Period	\$1,205,225	\$1,231,956
	=====	=====

See accompanying notes to financial statements.

GATEWAY TAX CREDIT FUND III LTD.  
(A Florida Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006  
(Unaudited)

NOTE 1 - ORGANIZATION:

Gateway Tax Credit Fund III Ltd. ("Gateway" or "Partnership"), a Florida Limited Partnership, was formed October 17, 1991 under the laws of Florida. Gateway offered its limited partnership interests in Series. The first Series for Gateway is Series 7. Operations commenced on July 16, 1992 for Series 7, January 4, 1993 for Series 8, September 30, 1993 for Series 9, January 21, 1994 for Series 10 and April 29, 1994 for Series 11. Each Series invests, as a limited partner, in other limited partnerships ("Project Partnerships"), each of which owns and operates apartment complexes eligible for Low-Income Housing Tax Credits ("Tax Credits"), provided for in Section 42 of the Internal Revenue Code of 1986. Gateway will terminate on December 31, 2040 or sooner, in accordance with the terms of the limited partnership agreement. As of June 30, 2006, Gateway had received capital contributions of \$1,000 from the General Partners and \$36,799,000 from the investor Limited Partners.

Raymond James Partners, Inc. and Raymond James Tax Credit Funds, Inc., wholly-owned subsidiaries of Raymond James Financial, Inc., are the General Partner and Managing General Partner, respectively.

Gateway received capital contributions of \$10,395,000, \$9,980,000, \$6,254,000, \$5,043,000 and \$5,127,000 from the investor Limited Partners in Series 7, 8, 9, 10 and 11, respectively. Each Series will be treated as though it were a separate partnership, investing in a separate and distinct pool of Project Partnerships. Income or loss and all tax items from the Project Partnerships acquired by each Series will be specifically allocated among the limited partners of such Series.

Operating profits and losses, cash distributions from operations and Tax Credits from each Series are generally allocated 99% to the Limited Partners in that Series and 1% to the General Partners. Profit or loss and cash distributions from sales of property by each Series are allocated as formulated in the Limited Partnership Agreement.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting

Gateway utilizes an accrual basis of accounting whereby revenues are recognized as earned and expenses are recognized as obligations are incurred.

Gateway accounts for its investments as the limited partner in Project Partnerships ("Investments in Project Partnerships"), using the equity method of accounting, because management believes that Gateway does not have a majority control of the major operating and financial policies of the Project Partnerships in which it invests, and reports the equity in losses of the Project Partnerships on a 3-month lag in the Statement of Operations. Under the equity method, the Investments in Project Partnerships initially include:

- 1) Gateway's capital contribution,
- 2) Acquisition fees paid to the General Partner for services rendered in selecting properties for acquisition, and
- 3) Acquisition expenses including legal fees, travel and other miscellaneous costs relating to acquiring properties.

## NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued):

Quarterly the Investments in Project Partnerships are increased or decreased as follows:

- 1) Increased for equity in income or decreased for equity in losses of the Project Partnerships,
- 2) Decreased for cash distributions received from the Project Partnerships, and
- 3) Decreased for the amortization of the acquisition fees and expenses.

For the fiscal year ended March 31, 2006, Gateway changed the period over which the intangible acquisition fees and expenses are amortized. In all prior years, the period in which such intangible assets had been amortized was 35 years. In the fiscal year ended March 31, 2006, this amortization period was changed to 15 years to better approximate the period over which the benefits of these investments are realized. As a result of this change in estimate, an additional amortization expense of \$24,835 for Series 7, \$10,553 for Series 8, \$9,817 for Series 9, \$19,964 for Series 10 and \$27,587 for Series 11, or \$92,756 for all Series of Gateway, was recognized during the year-ended March 31, 2006, as compared to the amortization expense amount which would have been realized had the estimated amortization period not changed during the year. The amortization expense is shown on the Statements of Operations.

Pursuant to the limited partnership agreements for the Project Partnerships, cash losses generated by the Project Partnerships are allocated to the general partners of those partnerships. In subsequent years, cash profits, if any, are first allocated to the general partners to the extent of the allocation of prior years' cash losses.

Since Gateway invests as a limited partner, and therefore is not obligated to fund losses or make additional capital contributions, it does not recognize losses from individual Project Partnerships to the extent that these losses would reduce the investment in those Project Partnerships below zero. The suspended losses will be used to offset future income from the individual Project Partnerships. Any cash distributions received from Project Partnerships which have a zero investment balance are accounted for as distribution income in the period the cash distribution is received by Gateway.

Gateway reviews its investments in Project Partnerships to determine if there has been any permanent impairment whenever events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable. If the sum of the expected future cash flows is less than the carrying amount of the investment, Gateway recognizes an impairment loss. There was no impairment expense in the quarter ended June 30, 2006. For the fiscal year ended March 31, 2006, impairment expense was recognized in the statement of operations in the following Series and in the following amounts: Series 7 - \$193,195, Series 9 - \$127,532, Series 10 - \$156,694, Series 11 - \$600,802. The total impairment expense for all Series in Gateway for fiscal year 2006 was \$1,078,223. Refer to Note 5 - Investment in Project Partnerships for further details regarding the components of the Investment in Project Partnership balance.

Gateway, as a limited partner in the Project Partnerships, is subject to risks inherent in the ownership of property which are beyond its control, such as fluctuations in occupancy rates and operating expenses, variations in rental schedules, proper maintenance and continued eligibility of tax credits. If the cost of operating a property exceeds the rental income earned thereon, Gateway may deem it in its best interest to voluntarily provide funds in order to protect its investment. Gateway does not guarantee any of the mortgages or other debt of the Project Partnerships.

### Cash and Cash Equivalents

It is Gateway's policy to include short-term investments with an original maturity of three months or less in Cash and Cash Equivalents. Short-term investments are comprised of money market mutual funds.

## NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued):

### Concentrations of Credit Risk

Financial instruments which potentially subject Gateway to concentrations of credit risk consist of cash investments in a money market mutual fund that is a wholly-owned subsidiary of Raymond James Financial, Inc.

### Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates that affect certain reported amounts and disclosures. These estimates are based on management's knowledge and experience. Accordingly, actual results could differ from these estimates.

### Offering and Commission Costs

Offering and commission costs are charged against Limited Partners' Equity upon admission of Limited Partners.

### Investment in Securities

Gateway applies Statement of Financial Accounting Standards No. 115, Accounting for Certain Investments in Debt and Equity Securities ("FAS 115"). Under FAS 115, Gateway is required to categorize its debt securities as held-to-maturity, available-for-sale or trading securities, dependent upon Gateway's intent in holding the securities. Gateway's intent is to hold all of its debt securities (U. S. Treasury Security Strips) until maturity and to use these reserves to fund Gateway's ongoing operations. Interest income is recognized ratably on the U.S. Treasury Strips using the effective yield to maturity.

### Income Taxes

No provision for income taxes has been made in these financial statements, as income taxes are a liability of the partners rather than of Gateway.

### Recent Accounting Pronouncements

In January 2003, the FASB issued FASB Interpretation No. 46 ("FIN46"), "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51," which was subsequently revised in December 2003. Gateway has adopted FIN 46 and applied its requirements to all Project Partnerships in which Gateway held an interest. Generally, a variable interest entity, or VIE, is an entity with one or more of the following characteristics, (a) the total equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support; (b) as a group the holders of the equity investment at risk lack (i) the ability to make decisions about an entity's activities through voting or similar rights, (ii) the obligation to absorb the expected losses of the entity; or (c) the equity investors have voting rights that are not proportional to their economic interests and substantially all of the entity's activities either involve, or are conducted on behalf of, an investor that has disproportionately few voting rights. FIN 46 requires a VIE to be consolidated in the financial statements of the entity that is determined to be the primary beneficiary of the VIE. The primary beneficiary, as is applicable to Gateway's circumstances, is the party in the Project Partnership equity group that is most closely associated with the Project Partnership.

Gateway holds variable interests in 128 VIE's, which consist of Project Partnerships, which Gateway is not the primary beneficiary. Five of Gateway's Project Partnership investments were determined not to be VIE's. Gateway's maximum exposure to loss as a result of its involvement with unconsolidated VIE's is limited to Gateway's recorded investments in and receivables from those VIE's, which is approximately \$4,032,887 at June 30, 2006. Gateway may be subject to additional losses to the extent of any financial support that Gateway voluntarily provides to those Project Partnerships in the future.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued):

Basis of Preparation

The unaudited financial statements presented herein have been prepared in accordance with the instructions to Form 10-Q and do not include all of the information and note disclosures required by generally accepted accounting principles. These statements should be read in conjunction with the financial statements and notes thereto included with the Partnership's Form 10-K for the year ended March 31, 2006. In the opinion of management these financial statements include adjustments, consisting only of normal recurring adjustments, necessary to fairly summarize the Partnership's financial position and results of operations. The results of operations for the periods may not be indicative of the results to be expected for the year.

NOTE 3 - INVESTMENT IN SECURITIES:

The June 30, 2006 Balance Sheets include Investment in Securities consisting of U.S. Treasury Security Strips which represents their cost, plus accreted interest income of \$98,616 for Series 7, \$89,228 for Series 8, \$66,761 for Series 9, \$71,749 for Series 10 and \$83,547 for Series 11. The Investment in Securities are commonly held in a brokerage account with Raymond James and Associates, Inc. A separate accounting is maintained for each series' share of the investments.

	Estimated Market Value	Cost Plus Accreted Interest	Gross Unrealized Gains and (Losses)
	-----	-----	-----
Series 7	\$ 157,751	\$ 153,925	\$ 3,826
Series 8	150,188	147,058	3,130
Series 9	124,297	121,777	2,520
Series 10	127,242	123,172	4,070
Series 11	147,177	139,838	7,339

As of June 30, 2006, the cost and accreted interest of debt securities by contractual maturities is as follows:

	Series 7	Series 8	Series 9
	-----	-----	-----
Due within 1 year	\$ 77,549	\$ 73,826	\$ 41,381
After 1 year through 5 years	76,376	73,232	80,396
	-----	-----	-----
Total Amount Carried on Balance Sheet	\$ 153,925	\$ 147,058	\$ 121,777
	=====	=====	=====
	Series 10	Series 11	Total
	-----	-----	-----
Due within 1 year	\$ 30,975	\$ 36,349	\$ 260,080
After 1 year through 5 years	92,197	103,489	425,690
	-----	-----	-----
Total Amount Carried on Balance Sheet	\$ 123,172	\$ 139,838	\$ 685,770
	=====	=====	=====

NOTE 4 - RELATED PARTY TRANSACTIONS:

The Payable to General Partners primarily represents the asset management fees owed to the General Partners at the end of the period. It is unsecured, due on demand and, in accordance with the limited partnership agreement, non-interest bearing. Within the next 12 months, the Managing General Partner does not intend to demand payment on the portion of Asset Management Fees payable classified as long-term on the Balance Sheet.

Value Partners, Inc., an affiliate of Gateway, acquired the general partner interest in Logan Heights, one of the Project Partnerships in Series 8, in 2003.

For the three months ended June 30, 2006 and 2005, the General Partners and affiliates are entitled to compensation and reimbursement for costs and expenses incurred by Gateway as follows:

Asset Management Fee - The Managing General Partner is entitled to receive an annual asset management fee equal to the greater of (i) \$2,000 for each limited

NOTE 4 - RELATED PARTY TRANSACTIONS (Continued):

partnership in which Gateway invests, or (ii) 0.275% of Gateway's gross proceeds from the sale of limited partnership interests. In either event (i) or (ii), the maximum amount may not exceed 0.2% of the aggregate cost (Gateway's capital contribution plus Gateway's share of the Properties' mortgage) of Gateway's interest in properties owned by the Project Partnerships. The asset management fee will be paid only after all other expenses of Gateway have been paid. These fees are included in the Statement of Operations.

	2006	2005
	-----	-----
Series 7	\$ 21,509	\$ 21,612
Series 8	22,372	22,477
Series 9	12,325	12,377
Series 10	8,420	8,455
Series 11	6,938	7,005
	-----	-----
Total	\$ 71,564	\$ 71,926
	=====	=====

General and Administrative Expenses - The Managing General Partner is reimbursed for general and administrative expenses of Gateway on an accountable basis. This expense is included in the Statement of Operations.

Series 7	\$ 23,938	\$ 17,902
Series 8	26,393	19,738
Series 9	14,731	11,017
Series 10	9,207	6,886
Series 11	7,365	5,508
	-----	-----
Total	\$ 81,634	\$ 61,051
	=====	=====

NOTE 5 - INVESTMENTS IN PROJECT PARTNERSHIPS:

As of June 30, 2006, the Partnership had acquired a 99% interest in the profits, losses and tax credits as a limited partner in 39 Project Partnerships which own and operate government assisted multi-family housing complexes. Cash flows from operations are allocated according to each Partnership agreement. Upon dissolution proceeds will be distributed according to each Partnership agreement.

The following is a summary of Investments in Project Partnerships as of:

SERIES 7	JUNE 30, 2006	MARCH 31, 2006
	-----	-----
Capital Contributions to Project Partnerships and purchase price paid for limited partner interests in Project Partnerships	\$ 7,732,089	\$ 7,732,089
Cumulative equity in losses of Project Partnerships (1)	(7,233,293)	(7,224,499)
Cumulative distributions received from Project Partnerships	(245,933)	(241,747)
	-----	-----
Investment in Project Partnerships before adjustment	252,863	265,843
Excess of investment cost over the underlying assets acquired:		
Acquisition fees and expenses	793,335	793,335
Accumulated amortization of acquisition fees and expenses	(232,959)	(224,238)
Impairment of Investment in Project Partnership	(193,195)	(193,195)
	-----	-----
Investments in Project Partnerships	\$ 620,044	\$ 641,745
	=====	=====

NOTE 5 - INVESTMENTS IN PROJECT PARTNERSHIPS (continued):

(1) In accordance with the Partnership's accounting policy to not carry Investments in Project Partnerships below zero, cumulative suspended losses of \$4,902,587 for the period ended June 30, 2006 and cumulative suspended losses of \$4,825,409 for the year ended March 31, 2006 are not included.

As of June 30, 2006, the Partnership had acquired a 99% interest in the profits, losses and tax credits as a limited partner in 43 Project Partnerships which own and operate government assisted multi-family housing complexes. Cash flows from operations are allocated according to each Partnership agreement. Upon dissolution proceeds will be distributed according to each Partnership agreement.

The following is a summary of Investments in Project Partnerships as of:

SERIES 8	JUNE 30, 2006	MARCH 31, 2006
	-----	-----
Capital Contributions to Project Partnerships and purchase price paid for limited partner interests in Project Partnerships	\$ 7,586,105	\$ 7,586,105
Cumulative equity in losses of Project Partnerships (1)	(7,407,463)	(7,414,683)
Cumulative distributions received from Project Partnerships	(177,537)	(174,579)
	-----	-----
Investment in Project Partnerships before adjustment	1,105	(3,157)
Excess of investment cost over the underlying assets acquired:		
Acquisition fees and expenses	549,773	549,773
Accumulated amortization of acquisition fees and expenses	(134,478)	(131,272)
	-----	-----
Investments in Project Partnerships	\$ 416,400	\$ 415,344
	=====	=====

(1) In accordance with the Partnership's accounting policy to not carry Investments in Project Partnerships below zero, cumulative suspended losses of \$5,631,244 for the period ended June 30, 2006 and cumulative suspended losses of \$5,547,391 for the year ended March 31, 2006 are not included.

NOTE 5 - INVESTMENTS IN PROJECT PARTNERSHIPS (continued):

As of June 30, 2006, the Partnership had acquired a 99% interest in the profits, losses and tax credits as a limited partner in 24 Project Partnerships which own and operate government assisted multi-family housing complexes. Cash flows from operations are allocated according to each Partnership agreement. Upon dissolution proceeds will be distributed according to each Partnership agreement.

The following is a summary of Investments in Project Partnerships as of:

SERIES 9	JUNE 30, 2006	MARCH 31, 2006
	-----	-----
Capital Contributions to Project Partnerships and purchase price paid for limited partner interests in Project Partnerships	\$ 4,914,116	\$ 4,914,116
Cumulative equity in losses of Project Partnerships (1)	(4,271,703)	(4,260,098)
Cumulative distributions received from Project Partnerships	(149,361)	(148,761)
	-----	-----
Investment in Project Partnerships before adjustment	493,052	505,257
Excess of investment cost over the underlying assets acquired:		
Acquisition fees and expenses	244,087	244,087
Accumulated amortization of acquisition fees and expenses	(74,383)	(71,370)
Impairment of Investment in Project Partnership	(127,532)	(127,532)
	-----	-----
Investments in Project Partnerships	\$ 535,224	\$ 550,442
	=====	=====

(1) In accordance with the Partnership's accounting policy to not carry Investments in Project Partnerships below zero, cumulative suspended losses of \$1,826,839 for the period ended June 30, 2006 and cumulative suspended losses of \$1,792,373 for the year ended March 31, 2006 are not included.



NOTE 5 - INVESTMENTS IN PROJECT PARTNERSHIPS (continued):

As of June 30, 2006, the Partnership had acquired a 99% interest in the profits, losses and tax credits as a limited partner in 15 Project Partnerships which own and operate government assisted multi-family housing complexes. Cash flows from operations are allocated according to each Partnership agreement. Upon dissolution proceeds will be distributed according to each Partnership agreement.

The following is a summary of Investments in Project Partnerships as of:

SERIES 10	JUNE 30, 2006 -----	MARCH 31, 2006 -----
Capital Contributions to Project Partnerships and purchase price paid for limited partner interests in Project Partnerships	\$ 3,914,672	\$ 3,914,672
Cumulative equity in losses of Project Partnerships (1)	(2,328,432)	(2,318,920)
Cumulative distributions received from Project Partnerships	(198,311)	(191,535)
	-----	-----
Investment in Project Partnerships before adjustment	1,387,929	1,404,217
Excess of investment cost over the underlying assets acquired:		
Acquisition fees and expenses	196,738	196,738
Accumulated amortization of acquisition fees and expenses	(89,329)	(83,302)
Impairment of Investment in Project Partnership	(156,694)	(156,694)
	-----	-----
Investments in Project Partnerships	\$ 1,338,644 =====	\$ 1,360,959 =====

(1) In accordance with the Partnership's accounting policy to not carry Investments in Project Partnerships below zero, cumulative suspended losses of \$366,239 for the period ended June 30, 2006 and cumulative suspended losses of \$346,072 for the year ended March 31, 2006 are not included.

NOTE 5 - INVESTMENTS IN PROJECT PARTNERSHIPS (continued):

As of June 30, 2006, the Partnership had acquired a 99% interest in the profits, losses and tax credits as a limited partner in 12 Project Partnerships which own and operate government assisted multi-family housing complexes. Cash flows from operations are allocated according to each Partnership agreement. Upon dissolution proceeds will be distributed according to each Partnership agreement.

The following is a summary of Investments in Project Partnerships as of:

SERIES 11	JUNE 30, 2006	MARCH 31, 2006
	-----	-----
Capital Contributions to Project Partnerships and purchase price paid for limited partner interests in Project Partnerships	\$ 4,128,042	\$ 4,128,042
Cumulative equity in losses of Project Partnerships (1)	(1,588,983)	(1,604,163)
Cumulative distributions received from Project Partnerships	(174,352)	(172,565)
	-----	-----
Investment in Project Partnerships before adjustment	2,364,707	2,351,314
Excess of investment cost over the underlying assets acquired:		
Acquisition fees and expenses	290,335	290,335
Accumulated amortization of acquisition fees and expenses	(122,872)	(114,498)
Impairment of Investment in Project Partnership	(600,802)	(600,802)
	-----	-----
Investments in Project Partnerships	\$ 1,931,368	\$ 1,926,349
	=====	=====

(1) In accordance with the Partnership's accounting policy to not carry Investments in Project Partnerships below zero, cumulative suspended losses of \$578,093 for the period June 30, 2006 and cumulative suspended losses of \$546,725 for the year ended March 31, 2006 are not included.

NOTE 5 - INVESTMENTS IN PROJECT PARTNERSHIPS (continued):

The following is a summary of Investments in Project Partnerships as of:

TOTAL SERIES 7 - 11	JUNE 30, 2006 -----	MARCH 31, 2006 -----
Capital Contributions to Project Partnerships and purchase price paid for limited partner interests in Project Partnerships	\$ 28,275,024	\$ 28,275,024
Cumulative equity in losses of Project Partnerships (1)	(22,829,874)	(22,822,363)
Cumulative distributions received from Project Partnerships	(945,494) -----	(929,187) -----
Investment in Project Partnerships before adjustment	4,499,656	4,523,474
Excess of investment cost over the underlying assets acquired:		
Acquisition fees and expenses	2,074,268	2,074,268
Accumulated amortization of acquisition fees and expenses	(654,021)	(624,680)
Impairment of Investment in Project Partnership	(1,078,223) -----	(1,078,223) -----
Investments in Project Partnerships	\$ 4,841,680 =====	\$ 4,894,839 =====

NOTE 5 - INVESTMENTS IN PROJECT PARTNERSHIPS (continued):

In accordance with the Partnership's policy of presenting the financial information of the Project Partnerships on a three-month lag, below is the summarized financial information for the Series' Project Partnerships as of March 31, of each year:

	2006	2005
	----	----
SERIES 7		
SUMMARIZED BALANCE SHEETS		
Assets:		
Current assets	\$ 4,300,344	\$ 3,956,965
Investment properties, net	26,900,820	28,256,793
Other assets	25,042	34,628
	-----	-----
Total assets	\$31,226,206	\$32,248,386
	=====	=====
Liabilities and Partners' Equity:		
Current liabilities	\$ 768,482	\$ 792,471
Long-term debt	35,642,423	35,849,766
	-----	-----
Total liabilities	36,410,905	36,642,237
	-----	-----
Partners' equity (deficit)		
Limited Partner	(4,825,013)	(4,086,257)
General Partners	(359,686)	(307,594)
	-----	-----
Total Partners' equity (deficit)	(5,184,699)	(4,393,851)
	-----	-----
Total liabilities and partners' equity	\$31,226,206	\$32,248,386
	=====	=====
SUMMARIZED STATEMENTS OF OPERATIONS		
Rental and other income	\$ 1,304,172	\$ 1,235,354
Expenses:	-----	-----
Operating expenses	832,477	828,857
Interest expense	190,539	191,406
Depreciation and amortization	368,230	373,930
	-----	-----
Total expenses	1,391,246	1,394,193
	-----	-----
Net loss	\$ (87,074)	\$ (158,839)
	=====	=====
Other partners' share of net loss	\$ (871)	\$ (1,588)
	=====	=====
Partnerships' share of net loss	\$ (86,203)	\$ (157,251)
Suspended losses	77,409	129,965
	-----	-----
Equity in Losses of Project Partnerships	\$ (8,794)	\$ (27,286)
	=====	=====

NOTE 5 - INVESTMENTS IN PROJECT PARTNERSHIPS (continued):

In accordance with the Partnership's policy of presenting the financial information of the Project Partnerships on a three-month lag, below is the summarized financial information for the Series' Project Partnerships as of March 31, of each year:

	2006	2005
	----	----
SERIES 8		
SUMMARIZED BALANCE SHEETS		
Assets:		
Current assets	\$ 4,183,619	\$ 3,800,475
Investment properties, net	28,271,381	29,521,019
Other assets	23,720	88,819
	-----	-----
Total assets	\$32,478,720	\$33,410,313
	=====	=====
Liabilities and Partners' Equity:		
Current liabilities	\$ 1,152,589	\$ 1,112,389
Long-term debt	37,532,816	37,745,148
	-----	-----
Total liabilities	38,685,405	38,857,537
	-----	-----
Partners' equity (deficit)		
Limited Partner	(5,498,091)	(4,806,849)
General Partners	(708,594)	(640,375)
	-----	-----
Total Partners' equity (deficit)	(6,206,685)	(5,447,224)
	-----	-----
Total liabilities and partners' equity	\$32,478,720	\$33,410,313
	=====	=====
SUMMARIZED STATEMENTS OF OPERATIONS		
Rental and other income	\$ 1,319,978	\$ 1,234,172
Expenses:		
Operating expenses	819,121	790,119
Interest expense	207,697	210,203
Depreciation and amortization	371,398	377,958
	-----	-----
Total expenses	1,398,216	1,378,280
	-----	-----
Net loss	\$ (78,238)	\$ (144,108)
	=====	=====
Other partners' share of net loss	\$ (1,605)	\$ (2,183)
	=====	=====
Partnerships' share of net loss	\$ (76,633)	\$ (141,925)
Suspended losses	83,853	146,608
	-----	-----
Equity in Income of Project Partnerships	\$ 7,220	\$ 4,683
	=====	=====

(1) An affiliate of the General Partner is the operating general partner in one of the Project Partnerships included above. The Project Partnership's financial information for the periods ending March 2006 and March 2005 is as follows:

	<u>March 2006</u>	<u>March 2005</u>
Total Assets	\$ 575,107	\$ 570,237
Total Liabilities	821,138	820,792
Gateway Equity	(129,742)	(134,220)
Other Partner's Equity	(116,289)	(116,334)
Total Revenue	28,302	23,346
Net Loss	\$ (3,471)	\$ (5,637)

NOTE 5 - INVESTMENTS IN PROJECT PARTNERSHIPS (continued):

In accordance with the Partnership's policy of presenting the financial information of the Project Partnerships on a three-month lag, below is the summarized financial information for the Series' Project Partnerships as of March 31, of each year:

	2006	2005
	----	----
SERIES 9		
SUMMARIZED BALANCE SHEETS		
Assets:		
Current assets	\$ 2,212,844	\$ 2,008,144
Investment properties, net	16,277,735	16,968,061
Other assets	4,391	5,364
	-----	-----
Total assets	\$18,494,970	\$18,981,569
	=====	=====
Liabilities and Partners' Equity:		
Current liabilities	\$ 279,015	\$ 275,176
Long-term debt	19,934,839	20,040,773
	-----	-----
Total liabilities	20,213,854	20,315,949
	-----	-----
Partners' equity (deficit)		
Limited Partner	(1,385,582)	(1,027,919)
General Partners	(333,302)	(306,461)
	-----	-----
Total Partners' equity (deficit)	(1,718,884)	(1,334,380)
	-----	-----
Total liabilities and partners' equity	\$18,494,970	\$18,981,569
	=====	=====
SUMMARIZED STATEMENTS OF OPERATIONS		
Rental and other income	\$ 661,177	\$ 644,163
Expenses:	-----	-----
Operating expenses	409,484	407,800
Interest expense	106,263	107,979
Depreciation and amortization	191,966	196,508
	-----	-----
Total expenses	707,713	712,287
	-----	-----
Net loss	\$ (46,536)	\$ (68,124)
	=====	=====
Other partners' share of net loss	\$ (465)	\$ (681)
	=====	=====
Partnerships' share of net loss	\$ (46,071)	\$ (67,443)
Suspended losses	34,466	44,224
	-----	-----
Equity in Losses of Project Partnerships	\$ (11,605)	\$ (23,219)
	=====	=====

NOTE 5 - INVESTMENTS IN PROJECT PARTNERSHIPS (continued):

In accordance with the Partnership's policy of presenting the financial information of the Project Partnerships on a three-month lag, below is the summarized financial information for the Series' Project Partnerships as of March 31, of each year:

	2006	2005
	----	----
SERIES 10		
SUMMARIZED BALANCE SHEETS		
Assets:		
Current assets	\$ 1,848,884	\$ 1,810,400
Investment properties, net	12,147,196	12,535,693
Other assets	4,049	3,124
	-----	-----
Total assets	\$14,000,129	\$14,349,217
	=====	=====
Liabilities and Partners' Equity:		
Current liabilities	\$ 333,271	\$ 319,417
Long-term debt	13,054,976	13,126,101
	-----	-----
Total liabilities	13,388,247	13,445,518
	-----	-----
Partners' equity (deficit)		
Limited Partner	1,016,372	1,282,408
General Partners	(404,490)	(378,709)
	-----	-----
Total Partners' equity	611,882	903,699
	-----	-----
Total liabilities and partners' equity	\$14,000,129	\$14,349,217
	=====	=====
SUMMARIZED STATEMENTS OF OPERATIONS		
Rental and other income	\$ 436,600	\$ 437,557
Expenses:		
Operating expenses	292,519	288,186
Interest expense	57,893	61,355
Depreciation and amortization	116,473	117,538
	-----	-----
Total expenses	466,885	467,079
	-----	-----
Net loss	\$ (30,285)	\$ (29,522)
	=====	=====
Other partners' share of net loss	\$ (606)	\$ (335)
	=====	=====
Partnerships' share of net loss	\$ (29,679)	\$ (29,187)
Suspended losses	20,167	9,133
	-----	-----
Equity in Losses of Project Partnerships	\$ (9,512)	\$ (20,054)
	=====	=====

NOTE 5 - INVESTMENTS IN PROJECT PARTNERSHIPS (continued):

In accordance with the Partnership's policy of presenting the financial information of the Project Partnerships on a three-month lag, below is the summarized financial information for the Series' Project Partnerships as of March 31, of each year:

	2006	2005
	----	----
SERIES 11		
SUMMARIZED BALANCE SHEETS		
Assets:		
Current assets	\$ 1,050,607	\$ 967,377
Investment properties, net	10,221,972	10,666,726
Other assets	297,731	322,719
	-----	-----
Total assets	\$11,570,310	\$11,956,822
	=====	=====
Liabilities and Partners' Equity:		
Current liabilities	\$ 212,185	\$ 237,856
Long-term debt	9,847,071	9,982,493
	-----	-----
Total liabilities	10,059,256	10,220,349
	-----	-----
Partners' equity (deficit)		
Limited Partner	1,793,468	2,015,913
General Partners	(282,414)	(279,440)
	-----	-----
Total Partners' equity	1,511,054	1,736,473
	-----	-----
Total liabilities and partners' equity	\$11,570,310	\$11,956,822
	=====	=====
SUMMARIZED STATEMENTS OF OPERATIONS		
Rental and other income	\$ 433,309	\$ 402,131
Expenses:		
Operating expenses	271,722	300,798
Interest expense	53,089	54,443
Depreciation and amortization	126,330	127,645
	-----	-----
Total expenses	451,141	482,886
	-----	-----
Net loss	\$ (17,832)	\$ (80,755)
	=====	=====
Other partners' share of net loss	\$ (1,644)	\$ (6,013)
	=====	=====
Partnerships' share of net loss	\$ (16,188)	\$ (74,742)
Suspended losses	31,368	50,518
	-----	-----
Equity in Income (Losses) of Project Partnerships	\$ 15,180	\$ (24,224)
	=====	=====



NOTE 5 - INVESTMENTS IN PROJECT PARTNERSHIPS (continued):

In accordance with the Partnership's policy of presenting the financial information of the Project Partnerships on a three-month lag, below is the summarized financial information for the Series' Project Partnerships as of March 31, of each year:

	2006	2005
	----	----
TOTAL SERIES 7 - 11		
SUMMARIZED BALANCE SHEETS		
Assets:		
Current assets	\$ 13,596,298	\$ 12,543,361
Investment properties, net	93,819,104	97,948,292
Other assets	354,933	454,654
	-----	-----
Total assets	\$107,770,335	\$110,946,307
	=====	=====
Liabilities and Partners' Equity:		
Current liabilities	\$ 2,745,542	\$ 2,737,309
Long-term debt	116,012,125	116,744,281
	-----	-----
Total liabilities	118,757,667	119,481,590
	-----	-----
Partners' equity (deficit)		
Limited Partner	(8,898,846)	(6,622,704)
General Partners	(2,088,486)	(1,912,579)
	-----	-----
Total Partners' equity (deficit)	(10,987,332)	(8,535,283)
	-----	-----
Total liabilities and partners' equity	\$107,770,335	\$110,946,307
	=====	=====
SUMMARIZED STATEMENTS OF OPERATIONS		
Rental and other income	\$ 4,155,236	\$ 3,953,376
Expenses:		
Operating expenses	2,625,323	2,615,759
Interest expense	615,481	625,386
Depreciation and amortization	1,174,397	1,193,578
	-----	-----
Total expenses	4,415,201	4,434,723
	-----	-----
Net loss	\$ (259,965)	\$ (481,347)
	=====	=====
Other partners' share of net loss	\$ (5,191)	\$ (10,800)
	=====	=====
Partnerships' share of net loss	\$ (254,774)	\$ (470,547)
Suspended losses	247,263	380,448
	-----	-----
Equity in Losses of Project Partnerships	\$ (7,511)	\$ (90,099)
	=====	=====

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

### Results of Operations, Liquidity and Capital Resources

The proceeds from Limited Partner investors' capital contributions available for investment are used to acquire interests in Project Partnerships.

As disclosed on the statement of operations for each Series, interest income is comparable for the three months ended June 30, 2006 and June 30, 2005. Equity in Losses of Project Partnerships for the three months ended June 30, 2006 decreased from \$90,099 for the three months ended June 30, 2005 to \$7,511. The decrease in Equity in Losses of Project Partnerships is a result of decrease in Partnerships' share of net loss of the Project Partnerships. The General and Administrative Expenses - Other decreased from \$19,959 for the three months ended June 30, 2005 to \$9,102 for the three months ended June 30, 2006. The General and Administrative Expenses - General Partner was significantly higher. This increase was due to higher administrative costs of the General Partner.

The capital resources of each Series are used to pay General and Administrative operating costs including personnel, supplies, data processing, travel and legal and third-party tax and audit fees associated with the administration and monitoring of Gateway and the Project Partnerships. The capital resources are also used to pay the Asset Management Fee due the Managing General Partner, but only to the extent that Gateway's remaining resources are sufficient to fund Gateway's ongoing needs. (Payment of any Asset Management Fee unpaid at the time Gateway sells its interests in the Project Partnerships is subordinated to the investors' return of their original capital contribution.)

The sources of funds to pay the operating costs of each Series are short-term investments and interest earned thereon, the maturity of U.S. Treasury Security Strips ("Zero Coupon Treasuries") which were purchased with funds set aside for this purpose, and cash distributed to the Series from the operations of the Project Partnerships.

Series 7 - Gateway closed this series on October 16, 1992 after receiving \$10,395,000 from 635 Limited Partner investors. Equity in Losses of Project Partnerships for the three months ended June 30, 2006 decreased from \$27,286 for the three months ended June 30, 2005 to \$8,794 due to an increase in rental revenue at the Project Partnerships and an increase in suspended losses. In general, it is common in the real estate industry to experience losses for financial and tax reporting purposes because of the non-cash expenses of depreciation and amortization. As a result, management expects that this Series, as well as those described below, will report its equity in Project Partnerships as a loss for tax and financial reporting purposes. Overall, management believes the Project Partnerships are operating as expected and are generating tax credits which meet projections.

At June 30, 2006, the Series had \$374,087 of short-term investments (Cash and Cash Equivalents). It also had \$153,925 in Zero Coupon Treasuries with annual maturities providing \$81,000 in the current fiscal year and \$86,000 in fiscal year 2008. Management believes the sources of funds are sufficient to meet current and ongoing operating costs for the foreseeable future and to pay part of the Asset Management Fee.

As disclosed on the statement of cash flows, the Series had a net loss of \$54,316 for the three months ended June 30, 2006. However, after considering the Equity in Losses of Project Partnerships of \$8,794 and the changes in operating assets and liabilities, net cash used in operating activities was \$28,755. Cash provided by investing activities totaled \$8,812, consisting of cash distributions from the Project Partnerships.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued):

Series 8 - Gateway closed this Series on September 28, 1993 after receiving \$9,980,000 from 664 Limited Partner investors. Equity in Losses of Project Partnerships for the three months ended June 30, 2006 increased from income of \$4,683 for the three months ended June 30, 2005 to income of \$7,220 as a result of an increase in rental revenue at the Project Partnerships. At June 30, 2006, the Series had \$287,350 of short-term investments (Cash and Cash Equivalents). It also had \$147,058 in Zero Coupon Treasuries with annual maturities providing \$77,000 in the current fiscal year and \$82,000 in fiscal year 2008. Management believes the sources of funds are sufficient to meet current and ongoing operating costs for the foreseeable future and to pay part of the Asset Management Fee.

As disclosed on the statement of cash flows, the Series had a net loss of \$34,116 for the three months ended June 30, 2006. However, after considering the Equity in Income of Project Partnerships of \$7,220 and the changes in operating assets and liabilities, net cash used in operating activities was \$32,455. Cash provided by investing activities totaled \$10,487, consisting of cash distributions from the Project Partnerships.

Series 9 - Gateway closed this Series on December 31, 1993 after receiving \$6,254,000 from 406 Limited Partner investors. Equity in Losses of Project Partnerships for the three months ended June 30, 2006 decreased from \$23,218 for the three months ended June 30, 2005 to \$11,605 as a result of an increase in rental and other income and a decrease in operating expenses. At June 30, 2006, the Series had \$209,583 of short-term investments (Cash and Cash Equivalents). It also had \$121,777 in Zero Coupon Treasuries with annual maturities providing \$43,000 in the current fiscal year, \$45,000 in fiscal year 2008 and \$47,000 in fiscal year 2009. Management believes the sources of funds are sufficient to meet current and ongoing operating costs for the foreseeable future and to pay part of the Asset Management Fee.

As disclosed on the statement of cash flows, the Series had a net loss of \$34,721 for the three months ended June 30, 2006. However, after considering the Equity in Losses of Project Partnerships of \$11,605 and the changes in operating assets and liabilities, net cash used in operating activities was \$17,991. Cash provided by investing activities totaled \$4,581, consisting of cash distributions from the Project Partnerships.

Series 10 - Gateway closed this Series on January 21, 1994 after receiving \$5,043,000 from 325 Limited Partner investors. Equity in Losses of Project Partnerships for the three months ended June 30, 2006 decreased from \$20,054 for the three months ended June 30, 2005 to \$9,512 as a result of an increase in suspended losses. Suspended losses are a direct result of the Investment balance in any single Project Partnership reaching a zero balance. Since more Project Partnerships have accumulated enough losses to warrant a zero balance, additional losses are suspended since the Partnership's accounting policy is to not carry Investments in Project Partnerships below zero. At June 30, 2006, the Series had \$140,533 of short-term investments (Cash and Cash Equivalents). It also had \$123,172 in Zero Coupon Treasuries with annual maturities providing \$32,000 in the current fiscal year, \$34,000 in fiscal year 2008, \$36,000 in fiscal year 2009 and \$40,000 in fiscal year 2010. Management believes the sources of funds are sufficient to meet current and ongoing operating costs for the foreseeable future and to pay part of the Asset Management Fee.

As disclosed on the statement of cash flows, the Series had a net loss of \$29,540 for the three months ended June 30, 2006. However, after considering the Equity in Losses of Project Partnerships of \$9,512 and the changes in operating assets and liabilities, net cash used in operating activities was \$12,321. Cash provided by investing activities totaled \$8,157, consisting of cash distributions from the Project Partnerships.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued):

Series 11 - Gateway closed this Series on April 29, 1994 after receiving \$5,127,000 from 330 Limited investors. Equity in Losses of Project Partnerships for the three months ended June 30, 2006 increased from a loss of \$24,224 for the three months ended June 30, 2005 to income of \$15,180 as a result of higher rental and other income and lower operating expenses. At June 30, 2006, the Series had \$192,838 of short-term investments (Cash and Cash Equivalents). It also had \$139,838 in Zero Coupon Treasuries with annual maturities providing \$38,000 in the current fiscal year, \$40,000 in fiscal year 2008, \$42,000 in fiscal year 2009 and \$44,000 in fiscal year 2010. Management believes the sources of funds are sufficient to meet current and ongoing operating costs for the foreseeable future and to pay part of the Asset Management Fee.

As disclosed on the statement of cash flows, the Series had a net loss of \$3,750 for the three months ended June 30, 2006. However, after considering the Equity in Income of Project Partnerships of \$15,180 and the changes in operating assets and liabilities, net cash used in operating activities was \$16,439. Cash provided by investing activities totaled \$1,787, consisting of cash distributions from Project Partnerships.

Item 3. Quantitative and Qualitative Disclosure About Market Risk:

As a small business issuer, no information is required.

Item 4. Controls and Procedures:

Within 90 days prior to the filing of this report, under the supervision and with the participation of the Partnership's management, including the Managing General Partner's chief executive and chief financial officers, an evaluation of the effectiveness of the Partnership's disclosure controls and procedures (as defined in Rule 13a-14(c) under the Securities Exchange Act of 1934) was performed. Based on this evaluation, such officers have concluded that the Partnership's disclosure controls and procedures were effective as of the date of that evaluation in alerting them in a timely manner to material information relating to the Partnership required to be included in this report and the Partnership's other reports that it files or submits under the Securities Exchange Act of 1934. There were no significant changes in the Partnership's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

PART II - Other Information

Item 1. Legal Proceedings:

None.

Item 1A. Risk Factors:

None.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds:

None.

Item 3. Defaults upon Senior Securities:

None.

Item 4. Submission of Matters to a Vote of Security Holders:

None.

Item 5. Other Information:

None.

Item 6. Exhibits:

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

GATEWAY TAX CREDIT FUND III, LTD.  
(A Florida Limited Partnership)  
By: Raymond James Tax Credit Funds, Inc.

Date: August 14, 2006

By: /s/ Ronald M. Diner  
Ronald M. Diner  
President

Date: August 14, 2006

By: /s/ Jonathan Oorlog  
Jonathan Oorlog  
Vice President and Chief Financial Officer

Date: August 14, 2006

By: /s/ Sandra C. Humphreys  
Sandra C. Humphreys  
Secretary and Treasurer

**EXHIBIT 31.1**

**CERTIFICATIONS\***

I, Ron Diner, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Gateway Tax Credit Fund III, Ltd.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information include in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: August 14, 2006

By: /s/ Ronald M. Diner  
Ronald M. Diner  
President

**EXHIBIT 31.2**

**CERTIFICATIONS\***

I, Jonathan Oorlog, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Gateway Tax Credit Fund III, Ltd.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information include in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: August 14, 2006

By: /s/ Jonathan Oorlog  
Jonathan Oorlog  
Vice President and Chief Financial Officer