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IRS Closes Audits of BABs, Tax Exempts, With No Change.

WASHINGTON The Internal Revenue Service has closed audits with no changes to \$1.38 billion of Build America Bonds issued by the New Jersey Turnpike Authority in 2009 and bonds from a \$26.56 million mortgage revenue and refunding issue sold by Lakeland, Fla. in 2008.

The IRS did not eliminate the federal subsidy payments of the New Jersey authority's BABs or the tax exempt status of the Florida issuer's bonds.

The conclusions of the audits were disclosed in event notices posted on the Municipal Securities Rulemaking Board's EMMA system on Tuesday.

The IRS began auditing the turnpike authority's series 2009F BABs in 2010. In the letter informing the authority of the audit, the IRS said, "At this time, we have no reason to believe that your debt issuance fails to comply with any of the applicable tax requirements."

The IRS notified the authority that the audit had been completed last month, according to the authority's recent event notice.

The audit was held up for a while because the IRS raised an issue in another audit of a different BAB issuer. Both audits were eventually closed with no change, a source said.

BABs are taxable, directpay bonds that could be issued in 2009 and 2010. The turnpike authority was the eighth largest issuer of BABs, issuing two transactions totaling \$3.23 billion, roughly according to Thomson Reuters data.

The authority issued the 2009 BABs, along with \$375 million of tax exempt bonds, to pay the principal on bond anticipation notes and the costs of construction for projects that were part of the authority's 10-year capital improvement program for the turnpike system it operates. A syndicate led by Morgan Stanley underwrote the bonds, and Wilentz, Goldman and Spitzer was the authority's bond counsel, according to the official statement for the bonds.

Brad Waterman, a lawyer who was special tax counsel for the authority in the audit, declined to comment.

The IRS began auditing the Lakeland bonds in April 2014 and had no reason to believe at that time that there were any tax problems with the bonds, according to a 2014 event notice. The IRS told the issuer that the audit was completed in a letter dated May 5, according to the city's recent event notice.

The city's retirement community first mortgage revenue and refunding bonds were issued for the benefit of Carpenter's Homes Estates, Inc. The official statement for the bonds was not posted on EMMA.

The Bond Buyer

by Naomi Jagoda

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