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IRS Asks Puerto Rico Power Utility to Return BAB Payments.

- **Prepa must return subsidy payments on BABs in bankruptcy**
- **Island power authority issued \$676 million of BABs in 2010**

The U.S. Internal Revenue Service told Puerto Rico's electric company that it has to repay the federal subsidies it received for bonds sold a decade ago as part of the government's stimulus program in the last recession.

The IRS in a July 10 letter asked the Puerto Rico Electric Power Authority to return Build America Bond subsidy payments made since July 1, 2017, the day before the utility's bankruptcy, according to a filing to bondholders on the Municipal Securities Rulemaking Board's website.

Prepa, as the utility is known, sold a combined \$676 million of taxable Series YY and EE Build America Bonds in 2010. The federal government covers 35% of interest costs on BABs. The IRS began examining Prepa's subsidy payments in 2019.

The IRS also won't make subsidy payments for credits that Prepa has requested since July 2017, according to the bondholder filing.

"Prepa intends to respond to the IRS and is currently considering its options," according to the filing.

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By Michelle Kaske

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