



September 22, 2025

The Honorable Kristi Noem
U.S. Department of Homeland Security
Washington, DC 20528

Dear Secretary Noem,

On behalf of National Taxpayers Union, the nation's oldest taxpayer advocacy organization, I write to express our strong concerns regarding a troubling trend of many Puerto Rican municipalities imposing retroactive taxes on federally funded reconstruction projects. If Puerto Rico's municipalities can tax FEMA dollars, this precedent could allow states to turn disaster recovery funding into a slush fund with taxpayers footing the bill. We urge you to look into this issue and take action to ensure that taxpayer dollars are used for their most effective purposes.

In recent months, municipalities have launched lawsuits against federal contractors that have rebuilt Puerto Rico's power grid under FEMA-funded contracts, demanding tens of millions of dollars in excise taxes. These lawsuits fly in the face of established Puerto Rican law, which exempts the Puerto Rico Electric Power Authority (PREPA) and its contractors from municipal construction taxes. While some may debate the policy merits of this exemption, the fact remains that it is the law—and local governments should respect it rather than attempt to rewrite it through costly litigation.

These municipal lawsuits are not about fairness or recovery—they are about cash. Faced with dwindling property tax revenue, localities are treating FEMA funds as a bailout mechanism, siphoning off tax dollars meant for rebuilding. This campaign is nothing more than a cash grab at the expense of U.S. taxpayers, who have already contributed over \$20 billion in federal recovery funding since Hurricanes Irma and Maria.

As you may know, on September 24, the FEMA Review Council will convene in Puerto Rico at a pivotal moment for both the island's recovery and for federal taxpayers. We urge you to take this opportunity to elevate and review this issue and bring it directly to the FEMA Council meeting in Puerto Rico.

Every dollar diverted to pay a municipal tax bill is a dollar not spent on repairing substations, modernizing the grid, or hardening infrastructure against the next storm. Taxing infrastructure projects in this manner will not produce more recovery—it will simply fuel more rent-seeking by

local interest groups and their allies in the bureaucracy. Federal dollars should be directed to restoring essential services, not filling municipal coffers.

Allowing municipalities to inflate the cost of rebuilding through litigation undermines both accountability and recovery. Strong federal oversight is essential to protect taxpayers, keep recovery dollars focused on repairing and modernizing infrastructure, and prevent Puerto Rico's local governments from setting a costly precedent that could one day spread to the mainland.

Sincerely,

Thomas Aiello
Senior Director of Government Affairs

Alexander Ciccone
Policy and Government Affairs Manager