

Internal Revenue Service

Department of the Treasury
Washington, DC 20224

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Date:
June 05, 2012

Legend

X =

State =

Dear :

This letter responds to a letter, dated January 23, 2012, submitted on behalf of X by X's authorized representative, requesting a ruling under § 7704(d)(1)(E) of the Internal Revenue Code.

FACTS

X is a limited partnership organized under the laws of State. X is a publicly traded partnership within the meaning of § 7704(b). X, through affiliated partnerships, disregarded entities, and corporate subsidiaries, is principally engaged in the transportation, processing, storage, and distribution of natural gas, natural gas liquids ("NGL"), crude oil, and refined petrochemical and petroleum products.

X is building a facility ("Facility") that will convert into through dehydrogenation or catalytic cracking. In addition to creating this process will also create ("Byproducts").

X will operate Facility pursuant to long-term agreements ("Agreements"). Under the terms of the Agreements, will deliver to Facility and will receive in accordance with an agreed-upon yield ratio. may purchase the feedstock from X at or from third parties. Customers will pay X a formula-based cash fee for on a monthly basis. X

will retain _____ as additional compensation and may, in its sole discretion, retain any _____ produced in excess of the yield ratio.

X requests a ruling that income derived from its conversion of _____ into _____ will constitute qualifying income under § 7704(d)(1)(E).

LAW AND ANALYSIS

Section 7704(a) provides that, except as provided in § 7704(c), a publicly traded partnership will be treated as a corporation.

Section 7704(b) provides that the term “publicly traded partnership” means any partnership if (1) interests in that partnership are traded on an established securities market, or (2) interests in that partnership are readily tradeable on a secondary market (or the substantial equivalent thereof).

Section 7704(c)(1) provides that § 7704(a) does not apply to a publicly traded partnership for any taxable year if such partnership meets the gross income requirements of § 7704(c)(2) for the taxable year and each preceding taxable year beginning after December 31, 1987, during which the partnership (or any predecessor) was in existence.

Section 7704(c)(2) provides that a partnership meets the gross income requirements of § 7704(c)(2) for any taxable year if 90 percent or more of the gross income of the partnership for the taxable year consists of qualifying income.

Section 7704(d)(1)(E) provides that the term “qualifying income” includes income and gains derived from the exploration, development, mining or production, processing, refining, transportation (including pipelines transporting gas, oil, or products thereof), or the marketing of any mineral or natural resource (including fertilizer, geothermal energy, and timber).

CONCLUSION

Based solely on the facts submitted and the representations made, we conclude that the income derived by X from the conversion of _____ into _____ will constitute qualifying income within the meaning of § 7704(d)(1)(E).

Except as expressly provided herein, no opinion is expressed or implied concerning the federal tax consequences of any aspect of any transaction or item discussed or referenced in this letter. In particular, no opinion is expressed as to whether X meets the 90 percent gross income requirement of § 7704(c)(1) in any taxable year for which this ruling may apply.

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to your authorized representative.

Sincerely,

Laura C. Fields

Laura C. Fields

Senior Technician Reviewer, Branch 1
(Passthroughs & Special Industries)

Enclosures (2)

Copy of this letter

Copy for § 6110 purposes