

Internal Revenue Service

Department of the Treasury
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Date:
August 15, 2012

LEGEND

X =

State 1 =

State 2 =

Dear

This letter responds to a letter from X's authorized representatives dated May 16, 2012, submitted on behalf of X, requesting a ruling concerning the qualifying income exception to the publicly traded partnership rules of § 7704 of the Internal Revenue Code.

FACTS

According to the information submitted and representations made, X is a limited partnership organized under the laws of State 1. X intends to consummate an initial public offering (IPO). After consummation of the IPO, X expects to be a publicly traded partnership within the meaning of § 7704(b).

X is an independent wholesale distributor of refined petroleum products and natural gas. X makes bulk sales of refined petroleum products and natural gas to its customers, which include dealers, distributors, and businesses.

X purchases refined products, including gasoline, diesel fuel, and residual fuel oils, from refineries, trading organizations, and various producers, conducts operations at its

terminals, and makes sales of refined products to its customers. Approximately two-thirds of X's refined products sales are to dealers, distributors, and other purchasers for terminals. Nearly one-third of X's refined product sales are bulk sales to

The refined products subject to this ruling request are

X purchases natural gas from producers and trading companies and generally resells it

LAW AND ANALYSIS

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

Section 7704(b) provides that, for the purposes of § 7704, the term "publicly traded partnership" means any partnership if (1) interests in the partnership are traded on an established securities market, or (2) interests in the partnership are readily tradable on a secondary market (or substantial equivalent thereof).

Section 7704(c)(1) provides that § 7701(a) shall not apply to any publicly traded partnership for any taxable year if such partnership met the gross income requirements of § 7704(c)(2) for such 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) explains 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 such partnership for such taxable year is qualifying income.

Section 7704(d)(1)(E) provides that the term “qualifying income” means income or 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, or timber).

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

Except as expressly provided herein, we express or imply no opinion concerning the 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) in any taxable year.

The ruling is directed only to the taxpayer who requested 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 X's authorized representative.

Sincerely,

David R. Haglund
David R. Haglund
Chief, Branch 1
Office of the Associate Chief Counsel
(Passthroughs & Special Industries)

Enclosures (2)

Copy of this letter
Copy of this letter for section 6110 purposes

cc: