

Internal Revenue Service

Department of the Treasury
Washington, DC 20224

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Person To Contact:
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Telephone Number:

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Date:
April 20, 2012

X =

Y =

M =

N =

O =

P =

Dear

This letter responds to a letter dated October 28, 2011, 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.

X is a limited liability company organized under the laws of State. X and a related party intend to form a new limited partnership, Y. X represents that Y will be a “publicly traded partnership” within the meaning of § 7704(b). Y, directly or through affiliated operating entities, will be engaged in the activity of gathering and processing natural gas and operating natural gas processing facilities.

X has requested a ruling that the gross income that Y derives from gathering and processing natural gas and operating natural gas processing facilities, as described below, constitute qualifying income under § 7704(d)(1)(E).

Y will own, and provide gathering services to third parties on M gathering system and N gathering system. Gathering systems generally consist of a network of small-diameter pipelines that collect natural gas from producing wells and transport it to main pipelines for further transmission. Y or a contract operator will perform all of the functions associated with the movement of natural gas through the systems.

Y will own an interest in O, a natural gas processing plant and related facilities, including a natural gas liquids (NGLs) storage facility. O contains processing equipment that chills natural gas streams in order to recover significant amounts of NGLs from such streams. Y serves as the manager of O and receives a management fee for Y's management services. Y's management duties include: (i) employing all personnel necessary for conducting operations of the facility; (ii) maintaining all accounting records, billing, financial reporting and treasury functions (including paying accounts of contractors and suppliers, and maintaining accounts for the owners; and (iii) filing all necessary operational notices and reports required by governmental agencies or authorities.

Y will own P, an amine regeneration unit and related equipment within a third-party natural gas processing plant. Amine gas treating, also known as gas sweetening and acid gas removal, refers to a group of processes that use aqueous solutions of various alkylamines (commonly referred to as amines) to remove hydrogen sulfide and carbon dioxide from gases.

Section 7704(a) provides that a publicly traded partnership shall 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 tradable on a secondary market (or substantial equivalent thereof).

Section 7704(c)(1) provides that section 7701(a) shall not apply to any publicly traded partnership for any taxable year if such partnership met the gross income requirements of section 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 section 7704(c) 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 to the extent Y derives gross income from the operations of M, N, O and P, such gross income will be qualifying income within the meaning of § 7704(d)(1)(E).

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

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.

Temporary or final regulations pertaining to one or more of the issues addressed in this ruling have not yet been adopted. Therefore, this ruling will be modified or revoked by the adoption of temporary or final regulations, to the extent the regulations are inconsistent with any conclusion in the letter ruling. See § 11.04 of Rev. Proc. 2011-1, 2011-1 I.R.B. 1, 50. However, when the criteria in § 11.06 of Rev. Proc. 2011-1, 2011-1 I.R.B. 1, 50 are satisfied, a ruling is not revoked or modified retroactively except in rare or unusual circumstances.

A copy of this letter must be attached to any income tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of the letter ruling.

The rulings contained in this letter are based upon information and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. While this office has not verified any of the material submitted in support of the request for rulings, it is subject to verification on examination.

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,

Bradford R. Poston
Senior Counsel, Branch 2
Office of the Associate Chief Counsel
(Passthroughs & Special Industries)

Enclosures (2)
Copy of this letter
Copy for § 6110 purposes