

Internal Revenue Service

Department of the Treasury
Washington, DC 20224

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Person To Contact:
, ID No.
Telephone Number:

Refer Reply To:
CC:PSI:B02
PLR-151302-12
Date:
January 03, 2013

Legend:

X =

State =

LP =

Dear :

This letter responds to a letter dated November 29, 2012, submitted on behalf of X, requesting a ruling under § 7704(d)(1)(E) of the Internal Revenue Code.

X is a corporation organized under the laws of State. X has formed a publicly-traded partnership by organizing LP under the laws of State. The interests in LP will be listed and traded on a nationally recognized exchange.

X will convey to LP a facility that will process natural gas into gasoline and liquefied petroleum gas (LPG). Gasoline and LPG are produced from natural gas through a three step integrated process. First, the natural gas enters a steam methane reformer where under high heat the natural gas is combined with steam to produce synthesis gas. Second, the synthesis gas is converted into methanol, hydrogen and water in the presence of a copper-based catalyst. Third and finally, the methanol is converted into a mixture of methanol, dimethyl ether and water, which is then passed over a catalyst to produce gasoline, LPG and water (which is recycled through the facility). LP will then sell the gasoline and LPG to third-party distributors, who then further distribute the gasoline and LPG to end-user customers.

X, on behalf of LP, requests a ruling that income derived from processing natural gas into gasoline and LPG, and income from marketing gasoline and LPG, will constitute qualifying income under § 7704(d)(1)(E).

Section 7704(a) provides generally 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 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) exempts from treatment as a corporation any publicly traded partnership for any tax year if the partnership meets the gross income requirements of § 7704(c)(2) for that year and each preceding tax 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 for any tax year if 90% or more of the partnership's gross income for that year consists of qualifying income.

Section 7704(d)(1)(E) defines "qualifying income" to include income and gains derived from the exploration, development, mining or production, processing, refining, transportation, or marketing of any mineral or natural resource.

Based solely on the facts submitted and the representations made, we conclude that the income derived by LP from processing natural gas into gasoline and LPG and marketing the gasoline and LPG will constitute qualifying income under § 7704(d)(1)(E).

Except for the specific ruling above, we express or imply no opinion concerning the federal tax consequences of the facts of this case under any other provision of the Code. Specifically, we express or imply no opinion as to whether LP is taxable as a partnership for federal tax purposes.

This ruling is directed only to the taxpayer requesting it. However, in the event of a technical termination of LP under § 708(b)(1)(B), the resulting partnership may continue to rely on this ruling in determining its qualifying income under § 7704(d)(1)(E).

According to § 6110(k)(3), this ruling may not be used or cited as precedent.

Under a power of attorney on file with this office, we are sending a copy of this letter to your authorized representative.

Sincerely,

Bradford R. Poston
Senior Counsel, Branch 2
(Passthroughs & Special Industries)

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