NATIONAL ASSOCIATION OF PUBLICLY TRADED PARTNERSHIPS

July 18, 2013

The Honorable ___________
________ Senate Office Building
Washington, DC 20510-____

Dear Senator _______:

As you determine how to best respond to the Dear Colleague request by Finance Committee Chairman Baucus and Ranking Member Hatch regarding which provisions of our current tax system should be included in a reformed tax code, I urge you to consider advocating for the retention of master limited partnerships (MLPs).

Master limited partnerships are businesses that are primarily engaged in midstream energy activities (pipelines, storage, processing, terminal facilities, etc.). The structure – narrowly defined by Congress in 1987 – enables qualifying businesses to raise capital from a broad base of investors by utilizing public equity markets and to organize as a pass-through tax entity.

In the context of tax reform, it is critical that lawmakers recognize that one of the most important objectives for a pro-growth, pro-jobs tax system should be to help fulfill America's transformational energy future. MLPs do just that, and have done so for more than 25 years now.

MLPs are now an integral way our nation's private sector finances the expansive infrastructure needed to fully realize the benefits of our newly discovered domestic energy resources – leading to greater energy independence for the United States – and to ensure that a wide variety of energy products make their way efficiently and safely from the production fields to American homes, businesses, and communities.

Furthermore, MLPs would meet each of the qualifying factors Senators Baucus and Hatch have proposed in terms of tax code provisions that merit retention:

1. Help grow the economy – MLPs contribute enormous value to the U.S. economy by investing billions in our energy infrastructure, supporting hundreds of thousands of quality jobs, and providing a reliable income stream for millions of primarily fixed income investors:

- The current total market capital of MLPs is approximately $445 billion, of which just under $400 billion is in the natural resource sector.
- A NAPTP study found that midstream energy MLPs support approximately 323,000 U.S. jobs as of 2012, both directly and through supply chain linkage, and will pay cumulative wages totaling $147 billion over the next five years.

2. Make the tax code fairer - MLPs provide businesses that had traditionally operated in partnership form with the ability to raise capital from individual investors who could not afford the sizeable, illiquid, investment demanded by non-traded partnerships. By creating partnership investments that come in affordable units (the term for an ownership interest in an MLP) that are liquid, MLPs allow smaller investors to invest in energy and real estate development while providing these industries with a valuable new source of capital:

- According to NAPTP surveys, the majority of MLP investors - up to 80 percent - are individual retail investors. Many are seniors--roughly 75 percent are over the age of 50.

- Section 7704 of the Internal Revenue Code properly limits pass-through tax treatment to publicly traded partnerships receiving at least 90% of their gross income from a narrow range of business activities, primarily those related to natural resources, or passive income sources such as interest and dividends.

3. Effectively promote other important policy objectives - MLPs operate in every state, producing, processing, transporting, storing, and distributing energy products to meet the country's growing demands. And to the extent that the vitality of our economy depends on the free flow of energy supplies, MLPs are a catalyst for growth, investment and job creation:

- Pipelines carry by far the largest burden in the transportation of energy products across long distances; pipelines transport 60 to 70% of oil shipments and essentially all natural gas in the U.S.
- It is estimated that over a 25 year period (2011-2035), $251 billion will be needed in natural gas, NGL, oil pipelines and related infrastructure. Those investments are being made by MLPs.
- Since 2007 MLPs have invested approximately $113 billion in energy infrastructure.

As the tax reform debate evolves, I respectfully ask you to remind your colleagues that Congress has previously considered whether MLPs should continue to be taxed as partnerships or instead should be required to pay corporate tax. Congress determined that while MLPs were not appropriate for all industries, those that had traditionally raised capital through partnerships - in particular the energy industry, which is vital to our country's well-being - should continue to attract capital through the use of MLPs.

And while MLPs are formed for a number of reasons, it is the pass-through tax treatment that makes the MLP structure such an effective vehicle for energy infrastructure investment. Pass-through taxation lowers the cost of capital for a capital-intensive industry and provides ordinary investors with a reliable income source in return for participating in the build-out of America's energy infrastructure.

Any tax reform effort that would eliminate the pass-through tax treatment of MLPs would significantly and adversely impact future investment in our nation's energy infrastructure and send a negative ripple effect throughout our economy due to higher energy costs, major job loss, and the devaluation of billions in assets with one stroke of the pen.

MLPs have worked as intended and represent a key success in terms of economically sound tax policy. This tax provision should be seen as a cornerstone on which to build a 21st century tax code that will last well into the future.

Your support and the bipartisan support of your colleagues to ensure the MLP tax structure is retained would be to the benefit of all Americans.

Sincerely,

Mary S. Lyman

Executive Director
National Association of Publicly Traded Partnerships (NAPTP)