

Dear _____ :

This letter responds to a letter dated November 5, 2012, submitted on behalf of X, requesting a ruling under § 7704(d)(1)(E) of the Internal Revenue Code.

X is a limited partnership organized under the laws of State. X represents that it is a “publicly traded partnership” within the meaning of § 7704(b). Y, a limited liability company organized under the laws of State, is the general partner and the tax matters partner of X. Y is wholly owned by Z. X, through affiliated operating entities, is principally engaged in the transportation and storage of Products, as well as performing operating services relating to the transportation and storage of Products.

X owns an indirect n% ownership interest in A and will be allocated a distributive share of certain operating services fee income and related cost reimbursements earned by A from related parties and from third parties. These amounts arise from the Existing Agreements and similar agreements that may be entered into in the future (together, the Agreements). Although the terms of each Agreement vary, in general, A agrees to provide to the service recipient the services necessary to manage the day-to-day

operations of specified assets owned by the service recipient. These services generally include both general and administrative services and direct operating and maintenance services with respect to such assets. Specifically, each of the Agreements encompasses the following activities: where relevant, contracting with customers for the use of the assets; taking delivery from customers; performing the tasks necessary to physically move the Products through the assets; metering the quantity of Products; monitoring the specification of the Products; offloading the Products to customers; staffing the operations of the assets; conducting routine maintenance; identifying and purchasing supplies; and handling all commercial transactions (including the billing, accounting, and financial reporting) for the assets. In addition to fee income received by A under the terms of the Agreements, pursuant to the Agreements, A also receives cost reimbursements for employee costs for activities performed under these agreements.

X has requested a ruling that the gross income it derives from the Agreements 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 representations made, we conclude that to the extent X derives gross income from the Agreements, such gross income will be qualifying income within the meaning of § 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 X 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 X 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