

**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:B01  
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Date:  
May 30, 2013

Legend

X =

State =

Dear :

This letter responds to a letter dated December 21, 2012, and subsequent correspondence, submitted on behalf of X by X's authorized representative, requesting a ruling under § 7704(d)(1)(E) of the Internal Revenue Code.

**FACTS**

X is a limited partnership organized under the laws of State. X is a publicly traded partnership within the meaning of § 7704(b). X, through direct and indirect wholly owned and disregarded subsidiaries, is involved in natural gas midstream activities including transportation, storage, gathering, and processing.

X represents that it transports and stores through a network of pipelines and storage caverns.

X also sells to manufacturers and other industrial customers or to customers who resell to manufacturers and other industrial users.

X represents that it intends to construct or acquire one or more facilities. X represents that the facilities will refine or process natural gas liquids (NGLs)

be stored and transported, often via X's pipeline and storage facilities, to manufacturers and other industrial customers. X represents that its sales are not to end-users at the retail level.

X represents that it may conduct the activities described above as a joint venture, treated as a partnership, with a strategic or financial partner.

### **LAW AND ANALYSIS**

Section 7704(a) provides that, except as provided in § 7704(c), a publicly traded partnership will 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 the substantial equivalent thereof).

Section 7704(c)(1) provides that § 7704(a) does not apply to a publicly traded partnership for any taxable year if such partnership meets the gross income requirements of § 7704(c)(2) for the 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) provides, in relevant part, 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 the partnership for the taxable year consists of qualifying income.

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

### **CONCLUSION**

Based solely on the facts submitted and the representations made, we conclude that income derived from the refining and processing

transportation, storage, and marketing constitutes qualifying income within the meaning of § 7704(d)(1)(E), regardless of whether the income is earned directly by X and its subsidiaries or through its distributive share of a joint venture.

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). 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 your authorized representatives.

Sincerely,

*Laura C. Fields*

Laura C. Fields  
Senior Technician Reviewer, Branch 1  
Office of Associate Chief Counsel  
(Passthroughs & Special Industries)

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