

Internal Revenue Service

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Washington, DC 20224

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Person To Contact:
, ID No.
Telephone Number:

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Date:
September 13, 2013

LEGEND:

X =

State =

Dear :

This letter responds to your letter dated April 16, 2013, submitted on behalf of X, requesting a ruling that income derived from the grease blending and packaging operation and the re-refining operation constitutes qualifying income within the meaning of § 7704(d)(1)(E) of the Internal Revenue Code.

FACTS

According to the information submitted and representations made, X is a limited partnership organized under the laws of State. X is a publicly traded partnership within the meaning of section 7704(b). X and its affiliates are engaged in the business of storage, transportation, processing, and distribution of petroleum products, natural gas and natural gas liquids. X and its affiliates blend refined petroleum distillates and lube oil base stocks with a “soap” or “thickener” to create the desired lubricant-greases, which are semi-solid suspensions. X sells its products to wholesalers and other fuel distributors and marketers, none of X's products are sold to customers who are end-users.

In addition, X will

use the base oil in its blending and packaging activities and sell any surplus base oil and other refined petroleum products to wholesalers and retail distributors and not to end-users at the retail level.

LAW AND ANALYSIS

Section 7704(a) provides that, except as provided in § 7704(c), a publicly traded partnership shall be treated as a corporation.

Section 7704(b) provides that, for the purposes of § 7704, 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) provides that § 7701(a) shall not apply to any publicly traded partnership for any taxable year if such partnership met the gross income requirements of § 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 § 7704(c)(2) 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(c)(2) provides that a partnership meets the gross income requirements of section 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” 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).

CONCLUSION

Based solely on the facts submitted and the representations made, we conclude that the that income derived by X from the grease blending and packaging operation and the

operation constitutes qualifying income within the meaning of section 7704(d)(1)(E).

Except as expressly provided herein, we express or imply no opinion concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter. In particular, no opinion is expressed as to whether X meets the 90 percent gross income requirement of § 7704(c) in any taxable year.

The ruling is directed only to the taxpayer who requested 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 the taxpayer's authorized representative.

Sincerely,

David R. Haglund

David R. Haglund
Branch Chief, Branch 1
Office of the Associate Chief Counsel
(Passthroughs & Special Industries)

Enclosures (2)

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