

**Internal Revenue Service**

Department of the Treasury  
Washington, DC 20224

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Refer Reply To:  
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Date:  
September 25, 2013

Legend

X =

Y =

State =

Dear :

This letter responds to a letter dated June 19, 2013, submitted on behalf of X by X's authorized representatives, 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 provides services to clients engaged in natural gas production and processing.

X's affiliate, Y, is engaged in the business and provides operations, maintenance, service, and for oil and natural gas production, processing, and transportation applications.

is an essential element in oil and gas production, processing, and transportation.

X intends to acquire a portion of Y's business, including customer contracts and A portion of the customer contracts

("Agreements").

Y is obligated to provide substantial services is required to:

In most cases Y

X requests a ruling that gross income derived from providing services pursuant to the Agreements to customers engaged in the production, processing and transportation of oil and natural gas will constitute qualifying income under § 7704(d)(1)(E).

### **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)(1) 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 gross income derived by X from the provision of services pursuant to the Agreements described above to customers engaged in the production, processing, and transportation of oil and natural gas constitutes qualifying income pursuant to § 7704(d)(1)(E).

Except for the specific ruling above, we express or imply no opinion concerning the federal tax consequences 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 income 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). 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,

*David R. Haglund*

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

Enclosures (2)

Copy of this letter

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