

**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:BR01  
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Date:  
May 22, 2014

Legend:

X =

State =

Dear :

This letter responds to a letter dated November 8, 2013, submitted on behalf of X by X's authorized representatives, requesting a ruling under section 7704(d)(1)(E) of the Internal Revenue Code.

Facts

Based on the materials submitted, we understand the relevant facts to be as follows. X is a limited partnership organized under the laws of State. X is a publicly traded partnership within the meaning of § 7704(b).

Iron ore is primarily found in four sources: magnetite, hematite, goethite, and siderite. Typical iron ores contain a significant amount of worthless material, referred to as gangue, from which the iron oxides must be concentrated before they are able to be used by the iron and steel industries. Best quality ores, containing greater than 55% iron, may simply be crushed for size prior to use in a blast furnace. Lower grade iron

ores require additional processing and must be crushed, ground and separated from gangue in a process called beneficiation. The beneficiation iron ore consists of finely-sized particles, or fines, which are not suitable for use in ironmaking or steelmaking and must be agglomerated into larger particles before the iron ore is useful. The iron ore pellets are then processed into steel in both blast furnaces and electric arc furnaces. An electric arc furnace requires a different combination of iron feedstocks. The processing of iron oxide, as found in lumped ore, iron ore pellets, or iron ore fines, into direct reduced iron creates a suitable feedstock for steel manufacturing both (i) in conjunction with or as an alternative to relying on scrap steel to feed an electric arc furnace and (ii) as a supplementary feedstock in more traditional iron and steelmaking.

Byproducts produced during the direct reduced iron processing may include carbon dioxide, water,

X may either (i) purchase raw materials feedstocks from third parties or purchase

X represents that if it purchases feedstocks and sells  
 , X will sell in bulk quantities  
X further represents that it will not sell

to a party which would be considered to be an end user at the retail level.

### 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 by X from the refining or processing of direct reduced iron and the sale of direct reduced iron or byproducts as described above constitute qualifying income within the meaning of section 7704(d)(1)(E).

Except as expressly provided herein, no opinion is expressed or implied concerning the federal 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 income requirement of section 7704(c)(1) in any taxable year for which this ruling may apply.

This ruling is directed only the taxpayer requesting it. However, in the event of a technical termination of X under section 708(b)(1)(B), the resulting partnership may continue to rely on this ruling in determining its qualifying income under section 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 will be sent to your authorized representative.

Sincerely,

David R. Haglund

David R. Haglund  
Chief, Branch 1  
(Passthroughs & Special Industries)

Enclosures (2)

Copy of this letter

Copy for Section 6110 purposes

cc: