



October 7, 2015

CC:PA:LPD:PR (REG-132634-14)  
Room 5205  
Internal Revenue Service  
P.O. Box 7604  
Ben Franklin Station  
Washington, DC 20044

Re: Outline of Topics to be Discussed at Hearing on Proposed  
Regulations under Section 7704(d)(1)(E)

Dear Sirs and Mesdames:

The Master Limited Partnership Association (“MLPA”)<sup>1</sup> is pleased to submit an outline of the topics it will discuss at the public hearing on proposed regulations promulgated on May 6, 2015 under section 7704(d)(1)(E)<sup>2</sup> relating to qualifying income from the exploration, mining or production, processing, refining, transportation, marketing of minerals or natural resources (the “Proposed Regulations”). Linda E. Carlisle will present oral comments on behalf of MLPA.

The topics and the amount of time to be devoted to each topic are set forth below.

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<sup>1</sup> On September 1, 2015, the National Association of Publicly Traded Partnerships (“NAPTP”) changed its name to the Master Limited Partnership Association.

<sup>2</sup> All “section” references are to the Internal Revenue Code of 1986, as amended (the “Code”) and to the regulations (“Reg. § \_\_\_\_\_”) promulgated thereunder.



1. Exclusive lists of qualifying activities cannot reflect changing technologies and will be outdated when written. (3 minutes)
  - a) Capital requirements and long range planning necessitate knowing whether an activity qualifies—waiting for a notice listing a new activity after a submission process cannot work in the market; and
  - b) A list cannot describe all activities and types of income that generate qualifying income—many will be missed that are clearly qualifying, but uncertainty leading to market disruptions will result if such income and activities are not on the initial "exclusive list"—hedging and royalty income and gas liquefaction activities are examples.
  
2. The definition of processing and refining is too narrow. (3 minutes)
  - a) The use of different definitions for different natural resources has no statutory basis;
  - b) MACRS requirement has no statutory basis—an error in assigning the class life of one asset used in an activity could impact partnership classification;
  - c) Different treatment for the same products will not work in the market—pipelines will not know whether a product is qualifying or not;
  - d) Processes that eliminate impurities from minerals and ores must be qualifying activities;
  - e) Same rules that apply to petroleum refineries should apply to timber and all other natural resources;



- f) No statutory basis for limiting refining to the production of fuel; and
- g) Processing and refining is any activity that effects a chemical change in a mineral or natural resource that does not result in the polymerization of a natural resource which is not a fuel, fuel additive, lubricant or asphalt.

3. The definition of natural resource must include products that are produced or refined from natural resources, i.e., products thereof, as recognized in PLR 201537007, issued May 26, 2015. (2 minutes)

4. Retail sales of propane are clearly sanctioned in the legislative history to section 7704(d)(1)(e)--this omission again demonstrates the problems with an exclusive list. (1 minute)

5. Taxpayers should be able to rely upon all PLRs issued before the date final regulations are promulgated indefinitely. (1 minute)

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MLPA appreciates the opportunity to testify on these Proposed Regulations.

Sincerely,

A handwritten signature in black ink that reads "Linda Carlisle".

Linda E. Carlisle  
On Behalf of  
Master Limited Partnership Association