August 11, 2017

Internal Revenue Service
CC:PA:LPD:PR (REG-136118-15)
Room 5207
P.O. Box 7604
Ben Franklin Station
Washington, DC 20044

Re: REG-136118-15—Comments on the Proposed Regulations for the Implementation of the New Partnership Audit Regime Enacted as Part of the Bipartisan Budget Act of 2015

Dear Sir or Madam:

The Master Limited Partnership Association ("MLPA") is pleased to submit comments on the proposed regulations promulgated on June 14, 2017 (the "Proposed Regulations") relating to the implementation of section 1101 of the Bipartisan Budget Act of 2015, Pub. L. No. 114-74 (the "BBA Partnership Audit and Adjustment Provisions").

The MLPA is the nation's only trade association representing MLPs.[1] For more than three decades, the association has represented the interests of MLPs in Washington, D.C. and the states. MLPs are an integral way our nation's private sector finances the

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[1] As used herein, the term "MLP" refers to a publicly traded partnership as defined under section 7704.

infrastructure needed to fully utilize newly discovered domestic energy resources – leading to greater energy independence for the United States – and to ensure that a wide variety of energy products make their way efficiently and safely from the production fields to American homes, businesses and communities.

We commend the efforts of the IRS and Treasury to provide taxpayers with guidance on the implementation of the BBA Partnership Audit and Adjustment Provisions.[2] The BBA Partnership Audit and Adjustment Provisions represent a fundamental change in the manner in which partnerships will be audited and tax adjustments with respect to partnerships will be assessed and collected. In enacting the BBA Partnership Audit and Adjustment Provisions, Congress undertook the difficult task of striking a balance between controlling the administrative burden faced by the IRS in auditing large partnerships and respecting the policy, enshrined in sections 701 and 702 of the Code, of treating partnerships as entities not subject to income tax. In introducing the Tax Technical Corrections Act of 2016 (H.R. 6439, S. 3506) (the "Tax Technical Corrections Act") Congress sought to correct potential misinterpretations of the BBA Partnership Audit and Adjustment Provisions, particularly misinterpretations of section 6226, that would upset the balance achieved by the legislation if the ability of tiered partnerships to

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[2] Unless otherwise indicated, all "section", or "subchapter" references are to the Internal Revenue Code of 1986, as amended (the "Code"). All references to the "IRS" are to the Internal Revenue Service and references to "Treasury" are to the U.S. Department of the Treasury.

push out adjusted items were limited or partners that elect the push-out option were prevented from taking into account adjustments that result in a decrease in tax.[3]

Regulations implementing the BBA Partnership Audit and Adjustment Provisions must not upset the careful balance struck by Congress. We recognize that the BBA Partnership Audit and Adjustment Provisions, by effectively shifting the burdens of the "campus audit" to partnerships and their partners, will impose a greater administrative burden on taxpayers than the current TEFRA rules.[4] Nevertheless, the burdens imposed on partnerships seeking to push out adjusted items to their partners must never be so great as to convert adjustments under the BBA Partnership Audit and Adjustment Provisions into a de facto entity-level tax on partnerships. As discussed in

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[3] As used herein the terms "push-out election" and "push-out option" refer to the partnership election under section 6226(a) to furnish to each partner of the partnership for the reviewed year and to the Secretary a statement of the partner's share of any adjustment to income, gain, loss, deduction, or credit (as determined in the notice of final partnership adjustment). The statement required under section 6226 is referred to as a "push-out statement."

[4] In its report to Congress on large partnership audits, the GAO described audits under the rules of the Tax Equity and Fiscal Responsibility Act of 1982 ("TEFRA") as being comprised of two parts: the field audit, "a detailed examination of the partnership's tax return (Form 1065) and supporting books and records" and the "campus audit." The campus audit, which does not involve an examination of the partnership itself, is the process of linking "partnerships to the tax returns of their direct and indirect partners." As part of the campus audit, "[a]djustments to income or losses from the field audit may be passed through to the taxable partners responsible for paying any additional tax, based on the partners' shares in the partnership." *See* GAO, *Large Partnerships: With Growing Number of Partnerships, IRS Needs to Improve Audit Efficiency*, GAO-14-732 (Washington, D.C.: Sep. 18, 2014).

greater detail herein, the administration of the BBA Partnership Audit and Adjustment Provisions effectively could result in the imposition of an entity-level tax on an MLP if the availability of the push-out election were conditioned on the MLP, as the audited partnership, providing information to the IRS about the MLP's partners that the MLP could not readily obtain, such as information regarding the identity of indirect partners of the MLP or information regarding the allocations of any indirect partners' partnerships. In addition, if the availability of the push-out election for a lower-tier joint venture or operating partnership of an MLP were conditioned on the MLP providing confidential information about its partners to the lower-tier partnership, the practical effect would be the same: the MLP would be unable to provide the information; the push-out election would not be available to the lower-tier partnership; and payment of the tax by the lower-tier partnership would result indirectly in a reduction of the MLP's cash flow.

Our comments herein are focused first on ensuring that requirements for the push-out election are drafted in a manner that makes the push-out election a practical option for MLPs. Second, we address certain provisions of the Proposed Regulations with respect to the determination of the imputed underpayment under section 6225.

I. MLPs and the Importance of the Push-out Election

MLPs have been part of the American energy infrastructure industry since 1981. As of June 30, 2017, there were more than 100 energy MLPs representing a market capitalization in excess of $400 billion.[5]

MLPs are publicly traded partnerships within the meaning of section 7704 that are not subject to entity-level taxation, because 90 percent or more of their income is passive-type income within the meaning of section 7704(c). Common interests in MLPs, generally referred to as "units," are traded on an established security exchange or a secondary market. In order to trade publicly, MLPs must meet certain requirements that are unique among partnerships. And because MLP units are equity interests in partnerships, they differ in important ways from other types of publicly traded equity interests. The factors that distinguish MLPs from other types partnerships and other types of publicly traded companies cause MLPs to be uniquely affected by the BBA Partnership Audit and Adjustment Rules and uniquely sensitive to entity-level taxation.

MLP units are purchased and sold on public securities exchanges such as the NYSE and the NASDAQ. Transactions in MLP units on these exchanges are facilitated by brokers or market makers, and a buyer of an MLP unit typically does not know the identity of the seller. Trading in this manner is possible only because publicly traded MLP units are "fungible," i.e., each publicly traded unit of an MLP will have identical tax and economic characteristics in the hands of a buyer. As a result, buyers need not be

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[5] *See No Longer an Emerging Asset Class* (Table), available at https://www.alerian.com/education/figures-and-tables/

concerned with the step-in-the-shoes provisions at work in subchapter K that otherwise would make the identity of the seller important.[6] (Note, however, that broker data provided to MLPs allows MLPs to identify their partners.)

Among other things, this fungibility requirement means that the section 704(b) capital account associated with each MLP unit must be economically equivalent to the section 704(b) capital account of all other units. For this reason, it is generally not possible for an MLP to make special allocations or distributions to a subgroup of public unitholders (or mandate filing of amended returns or additional capital contributions by some public unitholders but not others). Thus, MLPs are uniquely limited in their ability to make changes to their agreements in order to reallocate the tax burden associated with partnership-level taxes arising under section 6225 or to require their partners to contribute additional capital to the MLP to fund taxes arising under section 6225.

Moreover, approximately 15-20 percent of the publicly traded units of an average MLP are traded each year. New public unit purchasers do not expect to bear the burden (in the form of reduced distributions) of income taxes imposed on the partnership for income realized in years before they owned interests.

The potential for any material amount of federal income tax at the partnership level is likely to have a negative impact on the marketability of MLP units, as it could significantly alter the risks associated with such units. As discussed above, in the case of an MLP, these risks cannot be addressed through modifications to the partnership

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[6] *See, e.g.,* Treas. Reg. § 1.704-1(b)(2)(iv)(l) (providing a step-in-the-shoes rule for partner capital accounts); Treas. Reg. § 1.704-3(a)(7) (providing a step-in-the-shoes rule for section 704(c) items).

agreement in the way that they might for a partnership with a small number of partners and with no fungibility requirement. Moreover, entity-level taxes imposed on an MLP also can be expected to affect the trading price of its public units in a more direct way than taxes imposed on a publicly traded corporation affect the price of its shares. In general, shares of publicly traded corporations are valued based on a price to earnings ratio (P/E). MLP units, in contrast, generally are valued based on a price to distributable cash flow ratio (P/DCF). Events that affect an MLP's cash flow, including any tax required to be paid at the entity level, tend to have a direct effect on the trading price of its units.

Any significant tax liability of an MLP that could not be funded out of cash on hand would need to be financed. Unlike private partnerships, MLPs cannot simply require their partners to make additional cash contributions to fund such payments. Typically, MLPs raise capital by selling additional equity units or issuing debt. Raising equity to fund a tax payment, however, would be very difficult in practice, since the fact of the partnership-level expense simultaneously would be placing downward pressure on unit prices for the reasons discussed above. Thus, it is of critical importance to MLPs and their investors that the push-out election be available and administered in a manner that ensures that any material adjustment can be pushed out to the MLP's reviewed year partners.

Nevertheless, in the case of adjustments to the income of an MLP that are relatively small, it may benefit both the IRS and the MLP to have the tax paid by the MLP. For this reason, we are also committed to helping to develop rules that allow for a reasonable determination of tax liability at the MLP level under section 6225.

II. Summary of Recommendations

Our recommendations address the availability of the push out election under section 6226 and certain aspects of the calculation of the imputed underpayment under section 6225.

A. Recommendations Regarding Administration of the Push-Out Election

1. With regard to the application of the push-out election in the tiered partnership context, information requirements must not be so onerous as to make the election impractical. MLPs (and joint-venture and operating partnerships in which MLPs own interests) cannot and should not be required to provide information about their partners other than information normally provided to the partnership by partners or their nominees.

2. To the extent that additional matching of push-out statements and partner returns is necessary and desirable, we endorse the use of control numbers as suggested by the American Institute of Certified Public Accountants ("AICPA").[7]

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[7] *See* AICPA letter in response to Notice 2016-23, available at https://www.aicpa.org/Advocacy/Tax/DownloadableDocuments/AICPA_%20Comment_Letter_Notice_2016-23_%20BBA_Partnership_Audit_Procedures_10_7_16.pdf

3. The "reasonable diligence" required with regard to undeliverable statements mailed to partners needs to be specified in greater detail. *De minimis* failures to deliver push-out statements should not invalidate the push-out election.

4. In calculating the safe-harbor amount required to be stated on partners' push-out statements, MLPs should be permitted to take partners' specified passive activity losses into account.

B. Recommendations Regarding the Determination of the Imputed Underpayment

1. Regulations should provide that an MLP's substantiation of its partners' specified passive activity losses for purposes of reducing the MLP's underpayment under section 6225(c) does not require partners to provide additional data to the MLP.

2. MLPs should not be required to allocate partnership-level tax expense in a manner that affects the fungibility of MLP units.

III. Discussion of Recommendations

A. Administration of the Push-out Election

1. Limit Information Requirements for Push-Out in Tiered Partnership Structures

The preamble to the Proposed Regulations requests comments regarding "how the IRS might administer the requirements of section 6226 in tiered structures, including comments on the information tracking and other information sharing from the partnership under examination with respect to its direct and indirect partners to the IRS that are necessary for the IRS to monitor whether adjustments are properly flowed through the tiers and to determine that the proper taxpayers take into account the correct amount of adjustments and report the correct amount of any resulting tax, interest, and penalties." As emphasized above, the availability of the push-out election is critically important to MLPs. We believe that Congress recognized this fact by adopting the push-out option as part of the original legislation and correcting any possible misinterpretation as to its availability with the introduction of the Tax Technical Corrections Act. We remain concerned, however, that burdensome administrative requirements could render the push-out election unavailable to MLPs in tiered partnership structures. In particular, the suggestion that the IRS may require the audited partnership to provide a "map" of its allocations and all the allocations of any other partnerships that own a direct or indirect interest in the audited partnership as a

precondition to making the push-out election is troubling.[8] Any requirement to provide such a "map" goes beyond what was contemplated by Congress. The Tax Technical Corrections Act provides that in a case in which a partnership receives a push-out statement from a lower-tier partnership, the partnership receiving the statement must provide a "partnership adjustment tracking report which includes such information as the secretary may require."[9] As illustrated by the example in the Joint Committee on Taxation's technical explanation, the expectation is that the partnership could be required to provide information in its possession with respect to its partners: "For example, the required information may include identifying the partner's own partners or shareholders, describing and quantifying adjustments necessary to determine partnership-related items or the equivalent in the hands of those partners or shareholders, or other information necessary or appropriate to assessment and collection from tiers of partners in a push-out."[10] The example gives no indication that Congress envisioned requiring information from the partnership filing the tracking report with respect to persons other than its direct owners.

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[8] *See, e.g.,* Matthew R. Madara, *IRS Undecided on Audit Rules' Treatment of Tiered Partnerships*, 156 Tax Notes 541 (Jul. 31, 2017) (noting mention by Clifford Warren, senior counsel to the IRS associate chief counsel (passthroughs and special industries), of the "discussion of requiring partnerships to provide a map of the tiered partnership so the IRS can track where a pushout goes.")

[9] *See* section 204 of the Tax Technical Corrections Act (amending section 6226(b)).

[10] Joint Committee on Taxation, *Technical Explanation of the Tax Technical Corrections Act of 2016* (JCX-91-16), December 6, 2016, pp. 13-14.

MLPs themselves are commonly partners in operating partnerships and joint ventures. Often, the operating assets of the MLP are held by one or more operating partnerships the interests in which are owned by both the MLP and its sponsor. Increasingly, many MLPs also own interests in joint ventures with other third parties in order to fund multi-billion-dollar energy infrastructure projects. Also, one MLP may own interests in another MLP, and MLP public units are often owned by unrelated partnerships. MLPs need to be able to push out adjustments from any audited, lower-tier joint venture or operating partnership to their unit holders (in addition to being able to push out any adjustments with respect to the MLP itself).

The ability of an MLP to provide information about its unit holders (e.g., employer identification numbers and social security numbers) to an audited lower-tier partnership is limited by information security concerns—the MLP cannot provide sensitive taxpayer information to another entity. Partnerships that own direct and indirect interests in an MLP similarly will be limited in their ability to provide information about their owners to the MLP. In practice, MLPs generally receive the information that they have about owners of their publicly traded units from securities brokers and dealers who are required by the nominee reporting rules in section 6031(c) to provide certain information annually.[11] Information that brokers and dealers are not

[11] The fact that much of the information about an MLP's partners is provided to the MLP by nominees has required the IRS and Treasury to make accommodations in other areas. For example, because nominee information is provided at year end (as permitted by Treas. Reg. § 1.6031(c)-1T(b)) an MLP cannot determine during the year whether partners who hold through nominees are foreign or domestic and thus cannot comply with the normal installment payment rules under section 1446 that apply to withholding on foreign partners' allocable share of a partnership's income that is effectively connected with a U.S.

required to collect, e.g., information about the allocation provisions of any partnership that acquires an interest in an MLP, generally is not available to the MLP. Hedge funds or other investment funds that own interests in an MLP may be prohibited contractually from providing information about the identity of their investors to the MLP. To require MLPs to provide such information as a condition to making the push-out election is tantamount to prohibiting the push-out election for MLPs. Thus, we recommend that the information required on any push-out statement provided by an MLP (or a joint venture or operating partnership in which an MLP owns an interest) not extend beyond the information normally provided by partners or required to be collected by the partners' nominees pursuant to section 6031(c).

2. Adopt AICPA Control Number Proposal

Although we continue to believe that adjusted items reported to partners on push-out statements do not require monitoring that is different from that applied to other items reported to partners on Schedules K-1, additional monitoring could be facilitated if the IRS adopted the AICPA's proposal to attach a unique control number to adjustments reported on the notice of final partnership adjustment ("FPA").[12] Push-out statements to direct and indirect partners would be required to report the control number along

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trade or business. IRS and Treasury provided special rules under section 1446 to facilitate MLP compliance. *See* Treas. Reg. § 1.1446-4; *see also* Glenn Dance, *Foreign Partner Withholding: a Call for the Harmonization of Certain Partnership Provisions of Code Secs. 1441 with 1446*, 11 J. Passthrough Entities 5 (Mar.-Apr. 2008).

[12] See AICPA letter, supra note 7.

with each partner's share of the adjustment, a procedure that would enable the IRS to match the partners' reported adjustments to the total adjustments on the FPA.

3. Provide Further Specification of "Reasonable Diligence" with Respect to Undeliverable Push-out Statements

Prop. Reg. § 301.6226-1(b) provides that if a partnership makes the push-out election in accordance with section 6226, the partnership is not liable for the imputed underpayment. Instead, the reviewed year partners must take into account their share of the partnership adjustments related to the imputed underpayment and will be liable for any resulting tax, penalties, and interest. Prop. Reg. § 301.6226-1 provides further that a push-out election is "valid only if all of the provisions of this section and § 301.6226-2 (regarding statements furnished to reviewed year partners and filed with the Internal Revenue Service (IRS)) are satisfied."

Prop. Reg. § 301.6226-2(b) provides guidance regarding the time and manner for furnishing statements to reviewed year partners if a partnership makes the push-out election. In general, the partnership must furnish the statements to the reviewed year partners no later than 60 days after the date all related partnership adjustments are finally determined. If the partnership mails the statement, it must be mailed to the current or last known address of the reviewed year partner. If a mailed statement is returned to the partnership as undeliverable, the Proposed Regulations indicate that the partnership must undertake "reasonable diligence" to identify a correct address for the reviewed year partner to which the statement relates.

The average MLP has approximately 40,000 unitholders, each of whom has an address on file with the partnership. For public investors in an MLP's units, this address is

generally first provided by the investor's broker to the MLP, based on the information maintained for the investor in its brokerage account. MLPs also provide additional support services to their investors, including a call center and web-based support, through which an investor may be able to directly provide updated contact information to the partnership. Other support services may allow an MLP investor to request copies of its tax package or update ownership information that was not completely or accurately reflected by information originally provided by the investor's broker.

It is often the case that the addresses of MLP partners change. In some cases, the partner will notify its broker or the MLP. In other cases, mail is returned with the new forwarding address indicated, which allows the partnership to properly update the address information maintained by the partnership for the investor. However, some mail to partners is simply undeliverable with no updated address known to the partnership or the investor's broker.

MLPs typically will not attempt to update partners' addresses by using public name and address databases. Particularly in cases in which partners have common names, there is too much risk that the partner will be misidentified and the Schedule K-1 will be sent to the wrong person, which could cause sensitive taxpayer information to be compromised.

For this reason, we recommend that regulations clarify that the obligation of an MLP making the push-out election to furnish statements to each partner of the MLP for the reviewed year will be deemed satisfied if the MLP in good faith sends a statement to each partner to which it was required to send a Schedule K-1 for the reviewed year and utilizes the same procedures it uses for undeliverable Schedules K-1. Alternatively, we

recommend that Treasury adopt a *de minimis* rule providing that the failure to deliver push-out statements will not invalidate a partnership's push-out election.

4. Safe Harbor Amount for MLP Unit Holders Should Take Specified Passive Losses into Account

As a part of the push-out statement, the Proposed Regulations require the partnership also to calculate a safe harbor amount for each reviewed year partner. Pursuant to Prop. Reg. § 301.6226-2(g), the partnership calculates each partner's safe harbor amount in the same manner as the imputed underpayment, except that each partner's share of the partnership adjustments are substituted for the partnership adjustments taken into account in determining the imputed underpayment. Under the Proposed Regulations, modifications to the imputed underpayment provided under section 6225(c) generally have no effect on the determination of each reviewed year partner's safe harbor amount.

In the case of an MLP, we recommend that the safe harbor calculation for a partner take into account the partner's share of "specified passive activity losses" within the meaning of section 6225(c)(5)(B). As discussed further in our comments regarding the determination of the imputed underpayment, the data necessary to determine each MLP unit holder's available specified passive activity loss is fully within the control of the MLP. Although specified passive activity losses are partner-level tax attributes, because they can be used to offset income from only the MLP that generated the loss, the MLP itself can accurately track the availability of such losses to the partners.[13] Moreover,

[13] *See* section 469(k).

whenever an MLP provides a push-out statement to a partner reflecting an increased income allocation, the MLP will have to assume for purposes of any future determination of a partner's specified passive activity losses that any of the partner's available passive activity losses are utilized to offset the increased income allocation, regardless of whether the partner pays the safe harbor amount or calculates its tax liability under section 6226.

Failure to take specified passive activity losses into account in the calculation of the safe harbor amount will result in the systematic overstatement of tax liability and the potential loss of a tax asset. For these reasons, MLPs likely would discourage partners from paying the safe harbor amount, which could unnecessarily complicate partner tax reporting and undermine the tax administration goal that the safe harbor provision was intended to further. Thus, we recommend that the calculation of the safe harbor amount under the Proposed Regulations take specified passive activity losses into account.

B. Determination of the Imputed Underpayment

1. Substantiation of Partners' Section 469(k) Passive Losses should not Require Partners to Provide Additional Data to the MLP

Prop. Reg. § 301.6225-2 addresses the modifications to a partnership's imputed underpayment provided for in section 6225(c), including the time, form, and manner for requesting such modifications. In general, a request for modification must be submitted in accordance with the forms, instructions, and other guidance prescribed by the IRS and must include any information necessary to substantiate the facts for requesting a modification. Under Prop. Reg. § 301.6225-2(c)(2), this necessary information is based

on the facts and circumstances of the request and may include, among other documents, relevant tax returns. In addition, the IRS must be furnished with "a detailed description of the structure, allocations, ownership, and ownership changes, [the] partners, and, if relevant, any indirect partners for each taxable year relevant to the request for modification."[14]

For publicly traded partnerships, Prop. Reg. § 301.6225-2(d)(5) provides further guidance for modifying the imputed underpayment to the extent it is attributable to items allocable to a partner of an MLP whose tax liability would be reduced on account of passive activity losses related to such MLP. If the IRS approves modifications related to the application of passive activity losses of the MLP's partners, the MLP must report to each partner in the adjustment year the amount by which the partner's suspended passive activity loss carryovers were reduced due to the modification.

In the case of an MLP, it is unnecessary for the partners to provide information to the partnership to substantiate the availability of any specified passive activity losses. The amount of such losses are simply the excess of losses allocated by the MLP to the partner over income allocated to the partner. All of the information necessary to calculate and substantiate this amount is in possession of the MLP. Regulations should provide that an MLP can substantiate the availability of specified passive activity losses by providing summary schedules reflecting the specific allocations to each specified partner of the partnership from the year such partner purchased units through the year the partnership receives the notice of final partnership adjustment (i.e., a summary

[14] Prop. Reg. § 301.6225-2(c)(2)(ii).

schedule of each prior year's Schedule K-1 allocations). These summary schedules will quantify each specified partner's allowable, cumulative net losses subject to section 469(k) from the reviewed year through the adjustment year. Requiring the MLP to solicit any additional information from partners is impractical and burdensome given the number of partners in a typical MLP, would not enhance compliance, and could force an MLP considering payment of the imputed underpayment to instead avail itself of the push-out election.

2. Do not Require MLPs to Allocate Partnership Level Tax Expense in a Manner that Could Affect the Fungibility of Units

As discussed above, the public trading of MLP units depends on their fungibility.[15] One requirement for fungibility is that all items affecting the partners' 704(b) capital accounts be allocated pro rata. We have identified at least one provision of the Proposed Regulations that may require a non-pro rata allocation of items. Prop. Reg. § 301.6225-3(b)(4), addressing the portion of a reallocation adjustment that does not result in an imputed underpayment, requires such adjustments to be taken into account in the adjustment year and allocated as follows: first to adjustment year partners that also were reviewed year partners with respect to whom the amount was reallocated; second, to the extent adjustment amounts relate to reviewed year partners that are not

[15] Prior guidance has recognized the importance of fungibility of MLP units. *See, e.g.,* Treas. Reg. § 1.743-1(j)(4)(i)(2)(B) (providing a purchaser of an MLP unit with the same timing of cost recovery deductions, regardless of the particular unit purchased, by matching step-up cost recovery deductions to existing section 704(c) layers).

adjustment year partners, the adjustment is allocated instead to the adjustment year partners that are the successors to such reviewed year partners; and third, if the partnership is unable to identify the successor partners or if such partners do not exist, the adjustment would instead be allocated among all adjustment year partners in accordance with their distributive shares.

Even if all publicly traded units of an MLP in a reviewed year received the same pro rata allocations, it is possible that the MLP could add unit holders as a result of new public offerings between the reviewed year and the adjustment year. The application of Prop. Reg. § 301.6225-3(b)(4) to a misallocated item in the reviewed year could force an adjustment year allocation to less than all of the public unit holders, potentially causing units to be non-fungible. The MLP thus would be forced to make the push-out election. Alternatively, MLPs could be deemed unable to identify any successor partners and permitted to allocate the adjustment among all adjustment year partners. To the extent other rules force allocations of items (including tax liability) to less than all of an MLP's partners, MLPs will need to utilize the push-out election or seek some compromise.

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Making the BBA Partnership Audit and Adjustment Provisions efficient for the IRS, partnerships, and taxpayers without disrupting long standing partnership tax principles and investor expectations will require a continuing open dialogue. We look forward to continuing to work together to help create a set of rules that works for all parties.

If you have any questions, please do not hesitate to contact our external advisors on this letter: Robert Baldwin and Michael Hauswirth.

Sincerely,

Master Limited Partnership Association