

**Internal Revenue Service**

Department of the Treasury  
Washington, DC 20224

Number: **200718005**

Release Date: 5/4/2007

Index Number: 7704.00-00

Person To Contact:

, ID No.

Telephone Number:

Refer Reply To:

CC:PSI:B01

PLR-117696-06

Date:

January 19, 2007

Legend:

X =

Dear :

This letter is in response to your letter, dated March 15, 2006, on behalf of X, seeking a ruling concerning the qualified income exception to the publicly traded partnership under section 7704 of the Internal Revenue Code.

Facts

Based on the materials and representations contained within, we understand the relevant facts to be as follows. X is engaged in the business of processing, packaging, and marketing lubricating oil. X and its affiliates purchase highly refined petroleum base oils from various refineries and then blends and processes the petroleum base oils into lubricating oils, which it then packages and markets to its customers. X purchases highly refined petroleum base oils from refineries. The petroleum base oil is then blended with latest additive technology to make it more suitable for its intended use as lubricating oil. X earns income from the sale of lubricating oil to retailers who then sell the product through their own retailers or in bulk to wholesale distributors.

Law and Analysis

Section 7704(a) provides that a publicly traded partnership shall 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 partnerships are readily tradable on a secondary market (or the substantial equivalent thereof).

Section 7704(c)(1) provides that section 7704(a) shall not apply to any publicly traded partnership for any taxable year if such partnership met the gross income requirements of section 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 section 7704(c) 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(d)(1)(E) provides that the term qualifying income, among other things, 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 materials submitted, we conclude that the income derived by X from the processing of petroleum base oils into lubricating oils is qualifying income within the meaning of section 7704(d)(1)(E).

Except as specifically ruled upon above, we express no opinion concerning the federal tax consequences of the transactions described above under any other provisions of the Code. Specifically, no opinion is expressed as to whether the 90 percent gross income requirement of section 7704(c)(1) is met.

This ruling is directed only to the taxpayer who requested it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

Pursuant to the power of attorney on file with this office, copies of this letter will be sent to X's authorized representative.

Sincerely,

Dianna Miosi  
Chief, Branch 1  
Office of Associate Chief Counsel  
(Passthroughs & Special Industries)

Enclosures (2)

Copy of this letter for section 6110 purposes  
Copy of this letter