

Internal Revenue Service

Department of the Treasury
Washington, DC 20224

Number: **201027003**
Release Date: 7/9/2010

Third Party Communication: None
Date of Communication: Not Applicable

Index Number: 7704.03-00

Person To Contact:
 , ID No.

Telephone Number:

Refer Reply To:
CC:PSI:B02
PLR-108099-10

Date:
March 05, 2010

Legend:

X =

Y =

State =

a =

b =

c =

d =

e =

f =

g =

Agreement =

Dear :

This letter responds to a letter from your authorized representative dated February 16, 2010 submitted on behalf of X requesting a ruling under the publicly traded partnership rules of § 7704 of the Internal Revenue Code.

X was organized as a limited partnership under the laws of State. It is a publicly traded partnership within the meaning of § 7704(b). X is engaged through its operating partnership, Y, and through Y's subsidiaries (hereinafter, any references to X include a reference to Y and Y's subsidiaries), in a variety of activities, including the marine transportation of crude oil, refined petroleum products and other products for a variety of charterers, including major and independent oil and gas refining companies and petroleum marketing companies. X currently provides its marine transportation services under (i) spot contracts covering a single voyage and (ii) term contracts that range from a to b in length. Vessel charters, including fully found charters, time charters, consecutive voyage charters, contracts of affreightment and single voyage charters, as currently in effect and as may be entered into in the future, are referred to herein as the "Charters".

Approximately c percent of X's current gross income from its marine transportation segment is derived from services rendered by X under the terms of the Agreement. The term of the Agreement is d, after which either party can terminate the Agreement. The amounts payable to X under the Agreement are based on a daily rate.

The Agreement is a fully found charter, which means that X must provide the master and crew for the vessel and is responsible for all aspects of the operation and maintenance of the vessel. X is responsible for the cost of maintaining and repairing the vessel. X's crews regularly inspect each vessel, both in transit and in port. Selected vessels are inspected each year by independent consultants, at X's expense. X maintains insurance coverage consistent with industry practice to protect against risks related to accidents involved in the conduct of its business and risks of liability for environmental damage and pollution. If the vessel is lost, the charterer has no obligation to continue to make payments under the charter unless and until X provides a suitable substitute vessel.

The charterer has the right to specify the destination of the vessel (subject to geographic restrictions). The charterer has no rights to install additional pumps or equipment for loading cargoes, to order or direct the taking of any particular action aboard the vessel or to interfere with the master's exercise of his authority. The charterer is responsible for fuel costs, port, tug and pilot charges and any new taxes. The amount payable by the charterer is adjusted under a wage escalation/de-escalation provision for variations in crew wages from a benchmark wage. Subject to small tolerances, the charterer is not required to pay for any period that the vessel is unavailable to provide services.

X represented that it currently has approximately e term Charters. Although the general terms of the Agreement are representative of the general terms of X's existing and future Charters, there are certain distinctions in terms. X represents that the common terms of the Charters include (or will include), expressly or implicitly, the following: (1) X designates the master and the crew for the vessel; (2) X is responsible for the navigation, operation and maintenance of the vessel; (3) the term of each Charter, including extensions at the option of the customer, is less than f years; (4) X bears the risk of damage to and of loss of the vessel; (5) the customer does not have an option to acquire the vessel; (6) X is not entitled to material compensation for any period during which the vessel is not available for service for more than g consecutive days or if the customer does not exercise an option to renew the Charter; (7) X bears the cost of crewing, insuring, maintaining and repairing the vessel; and (8) amounts that are payable under the Charter are not stated by reference to the cost of the vessel or as separate charges for services and for use of the vessel.

X requests a ruling that its income derived from the transportation of crude oil, refined petroleum products and other products qualifying under § 7704(d)(1)(E) pursuant to the Charters is qualifying income under § 7704(d)(1).

Section 7704(a) provides generally that a publicly traded partnership shall be treated as a corporation.

According to § 7704(b), the term "publicly traded partnership" means any partnership if (1) interests in the partnership are traded on an established securities market, or (2) interests in the partnership are readily tradable on a secondary market (or its substantial equivalent).

Section 7704(c)(1) exempts from treatment as a corporation any publicly traded partnership for any tax year if the partnership meets the gross income requirements of § 7704(c)(2) for that year and each preceding tax year beginning after December 31, 1987, during which the partnership (or any predecessor) was in existence. Section 7704(c)(2) provides that a partnership meets the gross income requirements of § 7704 for any tax year if 90% or more of the partnership's gross income for that year consists of qualifying income.

Section 7704(d)(1)(E) defines "qualifying income" to include income and gains derived from the exploration, development, mining or production, processing, refining, transportation, or marketing of any mineral or natural resource.

Based solely on the facts and representations submitted, we conclude that the income X derives from transporting crude oil, refined petroleum products, ethanol, biodiesel, and other products qualifying under § 7704(d)(1)(E) pursuant to the Charters is qualifying income within the meaning of § 7704(d)(1)(E).

Except for the specific ruling above, we express or imply no opinion concerning the federal tax consequences of the facts 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 tax purposes.

Under a power of attorney on file with this office, we are sending a copy of this letter to your authorized representative.

This ruling is directed only to the taxpayer who requested it. According to § 6110(k)(3), this ruling may not be used or cited as precedent.

Sincerely,

Bradford R. Poston
Senior Counsel, Branch 2
(Passthroughs & Special Industries)

Enclosures (2)
Copy of this letter
Copy for § 6110 purposes