

**Internal Revenue Service**

Department of the Treasury  
Washington, DC 20224

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Person To Contact:  
, ID No.

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Refer Reply To:  
CC:PSI:B01  
PLR-147506-10

Date:  
April 07, 2011

LEGEND:

X =

State =

a =

Dear :

This letter responds to your letter dated November 18, 2010, submitted on behalf of X, requesting a ruling that income derived from the blending, processing, packaging, marketing and distribution of refined petroleum distillates and lube oils constitutes qualifying income within the meaning of section 7704(d)(1)(E) of the Internal Revenue Code (the Code).

**FACTS**

According to the information submitted and representations made, X is a limited partnership organized under the laws of State. X is a publicly traded partnership within the meaning of section 7704(b). X and its affiliates are engaged in the business of storage, transportation, processing, and distribution of petroleum products, natural gas and natural gas liquids. X intends to acquire certain operations and facilities for the blending, processing, packaging and marketing of specialty lubricant oils to wholesalers. Through these operations, X and its affiliates will purchase refined petroleum distillates and lube oil base stocks from crude oil refineries, blend and process the base stocks (in some cases adding non-petroleum additives of less than a% of the total lube blend) and package and market the resulting specialty lubricants to wholesale distributors.

## LAW AND ANALYSIS

Section 7704(a) provides that, except as provided in § 7704(c), a publicly traded partnership (PTP) will be treated as a corporation.

Section 7704(b) provides that, for purposes of section 7704, 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 the substantial equivalent thereof).

Section 7704(c)(1) provides that section 7701(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 means 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 facts submitted and the representations made, we conclude that the income derived by X from the processing of refined petroleum distillates and lube oil base stocks into specialty lubricating oils is qualifying income within the meaning of section 7704(d)(1)(E).

Except as expressly provided herein, we express or imply no opinion concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter. In particular, we express no opinion as to whether X meets the 90 percent gross income requirement of section 7704(c) in any taxable year.

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,

David R. Haglund  
David R. Haglund  
Chief, Branch 1  
Office of Associate Chief Counsel  
(Passthroughs & Special Industries)

Enclosures (2)

Copy of this letter for section 6110 purposes

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