

Internal Revenue Service

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Person To Contact:
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Refer Reply To:
CC:PSI:B01
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Date:
September 28, 2012

LEGEND:

X =

State =

Dear :

This letter responds to your letter dated August 20, 2012, submitted on behalf of X, requesting a ruling concerning the qualifying income exception to the publicly traded partnership rules of §7704 of the Internal Revenue 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 is engaged in the business of refining, blending, processing, packaging, marketing, and distribution of crude oil and other natural resource based products. Specifically, X

refines and processes crude oil products and other petroleum-based feedstocks into collectively referred

to as Refined Products in this letter. X is also engaged in the business of blending, processing, packaging, marketing, and distribution of lubricants that are a blend of hydrocarbon-based feedstocks and small amounts of additives (Lubricants). X primarily sells its products to customers who are not end-users, including wholesalers and other fuel distributors and marketers. X also sells certain products in bulk to government, commercial, and industrial users in quantities and at prices that are not consistent with a retail sales transaction.

LAW AND ANALYSIS

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

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

Section 7704(c)(1) provides that §7701(a) shall not apply to any publicly traded partnership for any taxable year if such partnership met the gross income requirements of §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 §7704(c)(2) 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 refining, blending, processing, packaging, marketing, and distribution of the Refined Products and Lubricants constitutes 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, no opinion is expressed as to whether X meets the 90 percent gross income requirement of §7704(c) in any taxable year.

The 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.

In accordance with the power of attorney on file with this office, a copy of this letter is being 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
Copy of this letter for section 6110 purposes