

**Internal Revenue Service**

Department of the Treasury  
Washington, DC 20224

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, ID No.  
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Refer Reply To:  
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PLR-148730-12  
Date:  
December 12, 2012

Legend:

X =

LP =

State =

Dear :

This letter responds to a letter dated November 8, 2012, submitted on behalf of X, requesting a ruling under § 7704(d)(1)(E) of the Internal Revenue Code.

X is a corporation organized under the laws of State. X intends to form a publicly-traded partnership by organizing LP under the laws of State. The interests in LP will be listed and traded on a nationally recognized exchange.

LP, through subsidiaries and disregarded entities, intends to build a facility that will process natural gas into dimethyl ether (DME). DME is a premium diesel fuel with a cetane number of 55 or higher, which is used as fuel for compression ignition diesel engines. DME will be marketed by LP as fuel for use in diesel engines. DME is produced using a three step integrated process. First, the natural gas enters a steam methane reformer where under high heat the natural gas is combined with steam to produce synthesis gas. Second, the synthesis gas is converted into methanol in the presence of a catalyst. Third and finally, the methanol is converted into DME in a reactive distillation column through methanol dehydration in the presence of a second

catalyst. LP will then sell the DME to third-party distributors, who then further distribute the DME to end-user customers.

X, on behalf of LP, requests a ruling that income derived from processing natural gas into DME, and income from marketing DME, will constitute qualifying income under § 7704(d)(1)(E).

Section 7704(a) provides generally 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 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) 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 submitted and the representations made, we conclude that the income derived by LP from processing natural gas into DME and marketing the DME will constitute qualifying income under § 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 LP is taxable as a partnership for federal tax purposes.

This ruling is directed only to the taxpayer requesting it. However, in the event of a technical termination of LP under § 708(b)(1)(B), the resulting partnership may continue to rely on this ruling in determining its qualifying income under § 7704(d)(1)(E).

According to § 6110(k)(3), this ruling may not be used or cited as precedent. Under a power of attorney on file with this office, we are sending a copy of this letter to your authorized representative.

Sincerely,

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

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