

Internal Revenue Service

Department of the Treasury
Washington, DC 20224

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Third Party Communication: None
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Person To Contact:
, ID No.

Telephone Number:

Refer Reply To:
CC:PSI:B02
PLR-126653-13

Date:
July 18, 2013

Legend:

X =

State =

Dear :

This letter responds to a letter dated June 7, 2013 submitted on behalf of X, requesting a ruling under § 7704(d)(1)(E) of the Internal Revenue Code.

X is a limited partnership organized under the laws of State. X intends to become a publicly-traded partnership within the meaning of § 7704.

X will, through affiliated operating partnerships, limited liability companies, or disregarded entities, operate two facilities that will process natural gas into methanol and synthesis gas. Methanol and synthesis gas are produced through an 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, hydrogen and water in the presence of a copper-based catalyst. X will then sell the methanol and synthesis gas to third-party distributors, who then further distribute the methanol and synthesis gas to end-user customers.

X requests a ruling that income derived from processing and marketing of methanol and synthesis gas produced through the processing of natural gas 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 X from processing and marketing methanol and synthesis gas produced from the processing of natural gas 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 X 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 X 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