

**Internal Revenue Service**

Department of the Treasury  
Washington, DC 20224

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Person To Contact:  
 , ID No.

Telephone Number:

Refer Reply To:  
CC:PSI:B01  
PLR-131688-13

Date:  
November 25, 2013

Legend

X =

Y =

State =

Dear :

This letter responds to a letter dated July 12, 2013, submitted on behalf of X by X's authorized representatives, requesting a ruling under § 7704(d)(1)(E) of the Internal Revenue Code.

**FACTS**

X is a limited partnership organized under the laws of State. Following an initial public offering, interests in X are expected to be listed and traded on a nationally recognized exchange. Thus, X will be a publicly-traded partnership within the meaning of § 7704(b).

X's affiliate, Y, provides a full suite of

services to customers engaged in the oil and natural gas industry. X intends to acquire Y's business, including customer contracts .

*Services*

is an essential element in oil and gas production, processing, and transportation.

A portion of the contracts (“ Agreements”).  
substantial services , Y is obligated to provide . In most cases Y is required to

*Services*

Y's business is conducted pursuant to agreements  
 (“  
 Agreements”). Under the terms of the Agreements, Y is obligated to  
 provide substantial services . In most cases, Y is required to

### *Services*

agreements under  
 (“  
 Agreements”),

## **LAW AND ANALYSIS**

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

Section 7704(b) provides that the term “publicly traded partnership” means any partnership if (1) interests in that partnership are traded on an established securities market, or (2) interests in that partnership are readily tradable on a secondary market (or the substantial equivalent thereof).

Section 7704(c)(1) provides that § 7704(a) does not apply to a publicly traded partnership for any taxable year if such partnership meets the gross income requirements of § 7704(c)(2) for the 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) provides, in relevant part, 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 the partnership for the taxable year consists of qualifying income.

Section 7704(d)(1)(E) provides that the term “qualifying income” includes income and 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, and timber).

### CONCLUSION

Based solely on the facts submitted and the representations made, we conclude that gross income derived by X from the provision of \_\_\_\_\_ services, \_\_\_\_\_ services, and \_\_\_\_\_ services, \_\_\_\_\_, as described above to customers engaged in the production, processing, and transportation of oil and natural gas constitutes qualifying income pursuant to § 7704(d)(1)(E).

Except as expressly provided herein, no opinion is expressed or implied concerning the federal 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)(1) in any taxable year for which this ruling may apply.

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). 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 your authorized representatives.

Sincerely,

*David R. Haglund*

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

Enclosures (2)

Copy of this letter

Copy for § 6110 purposes

cc: