

## Internal Revenue Service

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## Legend

X =

GP1 =

GP2 =

LP1 =

LP2 =

LP3 =

Target MLP =

State A =

Business B =

a =

Dear               :

This letter responds to your May 20, 2014, letter requesting a significant issue ruling with regard to a proposed transaction (the "Proposed Transaction"). The material information submitted in that letter and subsequent correspondence is summarized below.

The ruling contained in this letter is based upon facts and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. This office has not verified any of the materials submitted in support of the request for ruling. Verification of the information, representations, and other data may be required as part of the audit process.

This letter is issued pursuant to § 6.03 of Rev. Proc. 2014-1, 2014-1 I.R.B. 15, regarding one or more significant issues under § 332, 351, 355, 368, or 1036. The ruling contained in this letter only address one or more discrete legal issues involved in the transaction. This office expresses no opinion in this letter as to the overall tax consequences of the transaction described in this letter or as to any issue not specifically addressed by the ruling below.

### **Summary of Facts**

X is a State A publicly-traded limited partnership. GP1, a State A limited liability company, is X's general partner. X owns the general partner interest, incentive distribution rights ("IDRs"), and a portion of the publicly traded limited partner interests in LP1. Additionally, X owns a special class of LP1 partnership interests that track a percent of the economic attributes of the general partner interest and IDRs of LP2, a State A limited partnership.

In addition to its ownership interests in LP2, LP1 also owns the general partner interest, IDRs, and limited partner interests in LP3, a publicly traded limited partnership. LP1,

LP2 and LP3 are publicly traded partnerships within the meaning of §7704, and are directly involved in Business B.

### **Proposed Transaction**

X has been engaged in acquisition discussions with GP2, the corporate general partner of Target MLP, an unrelated publicly traded limited partnership engaged in Business B. X proposes, in part, to undertake the following transaction:

- (i) The members of GP1 will form a new limited liability company (“New LLC”), which will elect to be taxed as a corporation for federal income tax purposes.
- (ii) GP2, the corporate general partner of Target MLP, will merge into New LLC under State A law with New LLC surviving the merger.
- (iii) New LLC will contribute its newly acquired interests in Target MLP to X in exchange for limited partner interests of X (the “Exchange”).

### **Representations**

X makes the following representations:

- (a) Immediately after the Exchange, the total value of X’s direct ownership interests in LP1 will be more than 50 percent of the total value of all equity interests outstanding in LP1.
- (b) At the time of the Exchange, there will be no plan in existence pursuant to which the total value of X’s direct ownership interests in LP1 will become less than 50 percent of the total value of all equity interests outstanding in LP1.

### **Ruling**

Based solely on the information submitted and representations set forth above, we rule as follows:

Provided that immediately after the Exchange, X’s direct ownership interests in LP1 will represent 50 percent or more of the total value of all LP1 equity interests, X’s LP1 equity interests will be disregarded and X will be deemed to own its ratable share of LP1’s assets for purposes of determining whether X is an investment company under § 351(e).

### **Caveats**

Except as expressly provided herein, no opinion is expressed or implied concerning the tax treatment of the Proposed Transaction under other provisions of the Code or regulations or the tax treatment of any condition existing at the time of, or effects resulting from, the Proposed Transaction that is not specifically covered by the above ruling. In particular, no opinion is expressed on (i) the merger described in step (ii) above, (ii) whether X's ownership interests in LP1 will represent 50 percent or more of the total value of all LP1 equity interests immediately after the Exchange, and (iii) whether a plan exists at the time of the Exchange pursuant to which X's direct ownership interests in LP1 will represent less than 50 percent of the total value of all of LP1's equity interests.

### **Procedural Statements**

This ruling is directed only to the taxpayer who requested it. Section 6110(k)(3) of the Code provides that this letter may not be used or cited as precedent.

A copy of this letter must be attached to any federal information and income tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of the letter ruling.

In accordance with the powers of attorney on file with this office, a copy of this letter is being sent to your authorized representatives.

Sincerely,

*Richard K. Passales*

Richard K. Passales  
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Office of Associate Chief Counsel  
(Corporate)