

Internal Revenue Service

Department of the Treasury
Washington, DC 20224

Number: **201633028**

Release Date: 8/12/2016

Index Numbers: 721.00-00, 351.13-00

Third Party Communication: None
Date of Communication: Not Applicable

Person To Contact: _____, ID No.

Telephone Number:

Refer Reply To:
CC:CORP:B06
PLR-138582-15

Date:
May 18, 2016

Legend

X =

GP1 =

GP2 =

LP1 =

LP2 =

LP3 =

Target MLP =

New LP =

Business A =

a =

Dear _____ :

This letter responds to your November 25, 2015, 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. 2016-1, 2016-1 I.R.B. 1, 10, regarding one or more significant issues under § 332, 351, 355, 368, or 1036. The ruling contained in this letter only addresses 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 publicly-traded limited partnership. GP1, 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 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 A.

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 A. X proposes, in part, to undertake the following transaction:

- (i) The members of GP1 will form a new limited partnership (“New LP”), which will elect to be taxed as a corporation for federal income tax purposes.
- (ii) GP2 will merge into New LP with New LP surviving the merger.
- (iii) New LP 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 Target MLP will be more than 50 percent of the total value of all equity interests outstanding in Target MLP.
- (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 Target MLP will become less than 50 percent of the total value of all equity interests outstanding in Target MLP.

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 Target MLP will represent 50 percent or more of the total value of all Target MLP equity interests, X’s Target MLP equity interests will be disregarded and X will be deemed to own its ratable share of Target MLP’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 Target MLP will represent 50 percent or more of the total value of all Target MLP 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 Target MLP will represent less than 50 percent of the total value of all of Target MLP'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 representative.

Sincerely,

Richard K. Passales

Richard K. Passales
Senior Counsel, Branch 4
Office of Associate Chief Counsel
(Corporate)