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IRS Ends Moratorium on Private Letter Rulings Related to Qualifying Income for Master Limited Partnerships

BY DOUG GETTEN, GISLAR DONNENBERG, JIMMY VALLEE & GREG NELSON

On Friday, March 6, 2015, the Internal Revenue Service announced that, effective immediately, it would re-commence the ruling process with respect to private letter rulings regarding activities that generate qualifying income under Section 7704 of the Internal Revenue Code for publicly-traded partnerships (MLPs). This announcement marks the end of the IRS's one-year moratorium on providing guidance for qualifying income through private letter rulings. The IRS noted that taxpayers have been patiently waiting for private letter rulings before proceeding with their transactions. The IRS has also announced that it will propose new regulations addressing "qualifying income" in the immediate future. Specifically, the IRS has been looking at, and the proposed new regulations will cover, "services provided by contractors to others." IRS representatives had suggested that the moratorium commenced because of IRS concerns about the expansion of qualifying income being derived from oil field service activities as opposed to the more traditional transportation and extraction of natural resources.

For additional questions, please contact either: Greg Nelson, Gislar Donnenberg, Jimmy Vallee, or Doug Getten. We will provide additional detail to you once the regulations are announced.

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If you have any questions concerning these developing issues, please do not hesitate to contact any of the following Paul Hastings lawyers in the Master Limited Partnership Practice group:

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