

INSIGHTS

Year Long Pause Lifted on MLP Qualifying Income Private Letter Rulings – Proposed Regulations to be Issued

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Following a year long pause, the IRS announced Friday that it has resumed its review of pending private letter ruling (PLR) requests and is accepting new PLR requests concerning MLP qualifying income under Section 7704(d)(1)(E) of the Internal Revenue Code. During the qualifying income ruling pause, which began in March 2014, the IRS postponed consideration of taxpayer requests for qualifying income PLRs in order to study issues related to qualifying income and to consider broader interpretive guidance to the MLP industry.

In addition, according to statements made by an IRS official, the Treasury Department will issue proposed regulations in the near future that address qualifying income. The issuance of proposed regulations will be a significant development in this area, as PLRs historically have been the primary source of interpretive guidance on the scope of activities generating qualifying income. Although no details on the substance of the proposed regulations were given, the IRS indicated that the proposed regulations will address qualifying income related to midstream, upstream and downstream activities, as well as oilfield services activities. In addition, it is our understanding that generous transitional rules will be provided for MLPs and other taxpayers that previously received PLRs that may be inconsistent with the proposed regulations once they are finalized.

Members of Bracewell & Giuliani's tax team are in contact with IRS and Treasury representatives and are monitoring the situation closely. If you have questions regarding the lifting of the pause, the forthcoming proposed regulations or any particular private letter ruling, please reach out directly to one of us. We will provide additional information once the proposed regulations have been issued.

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