

IRS Presses Play on MLP Private Letter Rulings

IRS announces end of moratorium on MLP letter ruling requests.

The IRS has resumed the ruling process for private letter ruling (PLR) requests regarding qualifying income issues for MLPs under section 7704. An official of the IRS Office of Associate Chief Counsel (Passthroughs and Special Industries) announced the end of its moratorium on such PLR requests at the Federal Bar Association Section on Taxation annual meeting in Washington on March 6, 2015.

While the PLR process has restarted, the IRS cautioned taxpayers with pending qualifying income PLR requests that some time will be required to process the requests. The IRS “expects to work diligently to process” the pending qualifying income PLR requests but has not provided a specific timeline for clearing the existing backlog.

In addition, the same IRS official noted that the IRS has made “significant progress” on proposed regulations to be issued under section 7704, which will provide additional guidance for taxpayers with respect to qualifying income issues and determinations. The IRS believes that it has developed workable standards for the qualifying income guidance. These proposed regulations will be released “soon” and will address income derived from activities directed at minerals and natural resources, as well as certain services provided by contractors to the oil and gas industry. Comments will be welcomed by the IRS when the proposed regulations are issued.

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