



July 29, 2015

CC:PA:LPD:PR (REG-132634-14)  
Room 5203  
Internal Revenue Service  
P.O. Box 7604  
Ben Franklin Station  
Washington, DC 20044

Re: Comments on REG-132634-14, Qualifying Income from Activities of Publicly Traded Partnerships With Respect to Minerals or Natural Resources

Baron Capital Group, Inc., and its subsidiaries, (“Baron Capital”) welcome the opportunity to provide comments on recently proposed regulations (REG-132634-14) (the “Proposed Regulations”) addressing the scope of activities related to minerals and natural resources that produce qualifying income under Section 7704(d)(1)(E) of the Internal Revenue Code of 1986, as amended (the “Code”). We commend the efforts of the Department of the Treasury (“Treasury”) and the Internal Revenue Service (the “Service”) to implement a comprehensive definition of qualifying income as it relates to minerals and natural resources. We believe that input from investors in the entities affected by the Proposed Regulations should be considered in determining the final Treasury Regulations.

Baron Capital is a privately held, employee owned, New York C-corporation and has two SEC-registered investment adviser subsidiaries that provide investment advice to the Baron family of mutual funds, sub-advised accounts, separately managed accounts, wrap accounts, a fund of funds and an offshore fund. As of June 30, 2015, Baron Capital had assets under management of \$27.3 billion.

Baron Capital, on behalf of certain of its investment advisory clients, invested in Westlake Chemical Partners, LP (“WKLP”) through participation in its IPO on August 4, 2014. The cornerstone of our investment thesis was WKLP’s ability to operate as a master limited partnership (“MLP”). We relied on the private letter ruling issued by the Service to WKLP prior to its IPO that concluded that income from the processing, refining and transportation of minerals and natural resources would be considered qualifying income for purposes of being treated as a publicly traded partnership under the Code. This permitted WKLP to be treated as an MLP for tax purposes, which was essential to our investment decision. At the time, we understood the private letter ruling to be consistent with common interpretations of the statute and industry practices, which gave us comfort that there would be certainty with respect to the treatment of income among the entities in this industry, a growing area of our investment universe.

The Proposed Regulations fire a cruise missile through our WKLP investment thesis by reversing the conclusion of the Service's private letter ruling, which, in effect, prevents WKLP from being treated as an MLP for tax purposes. The Proposed Regulations if adopted as written would prevent WKLP from considering income derived from processing natural gas liquids into ethylene as qualifying income under Section 7704(d)(1)(E). We believe this is completely unfair to WKLP and other entities that relied on private letter rulings issued by the Service in connection with substantial long-term business decisions, investments and expenditures. We also believe that this is completely unfair to unit holders of WKLP who made investments, in large part, based on their understanding that the entity in which they were investing would be treated as an MLP for tax purposes. Indeed, unit holders of WKLP suffered paper losses as the market capitalizations of these entities plunged after the Proposed Regulations were published. The 10 year transition period is no consolation to us; Baron Capital routinely holds investments for 10 years or longer.

We believe fundamental fairness dictates that Treasury and the Service should revise the Proposed Regulations to be consistent with WKLP's private letter ruling or, alternatively, permanently grandfather that ruling, which would be consistent with the Service's precedent in similar matters.

We thank Treasury and the Service for their attention to this comment and respectfully request them to take action consistent therewith.

Very truly yours,



Patrick M. Patalino  
General Counsel