



Qualifying Income From Activities of Publicly Traded Partnerships With Respect to Minerals or Natural Resources

This is a Comment on the **Internal Revenue Service (IRS)** Proposed Rule: **Qualifying Income from Activities of Publicly Traded Partnerships with Respect to Minerals or Natural Resources**

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Comment

As a professional with more than 25 years in the petroleum refining and petrochemical field, I find the distinction between qualifying income from the catalytic cracking of heavy gas oil into a mixture of liquid and gaseous petroleum products and the non-qualifying income associated with steam cracking natural gas liquids into ethylene and propylene as proposed in Section 7704(d)(1)(E) to be disingenuous, and biased against natural gas liquids processing.

Heavy gas oil from basic crude refining can be sold directly into the bunker fuel oil market or thermo-chemically converted via catalytic cracking into higher value molecules which include a variety of streams that require further blending or processing to yield directly marketable products (i.e. gasoline, polyethylene, polypropylene).

Likewise, ethane and propane have an alternative fuel value, or they can be thermo-chemically converted via steam cracking into higher value molecules such as ethylene and propylene - that also require further processing to yield directly marketable products (i.e. polyethylene, polypropylene, etc.).

It appears to me that this bias toward qualifying the income derived from crude oil liquids to be poorly constructed on the implication that producing motor gasoline and diesel are simple distillation processes (i.e. separating and purifying). Whereas the current regulated qualities of motor gasoline and diesel require fairly complex processes to economically convert a range of heavy-sour crudes into very low sulfur transportation fuels. The complexity of converting crude oil into 21st century transportation fuels is nearly as process intensive as converting natural gas liquids into olefins.

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Certainly, a modern fluidized catalytic cracking unit as provided in the refining example rivals the complexity of the ethane steam cracking process. Both fluidized catalytic cracking and steam cracking provide basic process technologies to convert low valued fuels streams (heavy gas oil or natural gas liquids) into higher value molecules. The output streams from both the catalytic cracking unit and the steam cracking unit both need further blending or processing to produce stable, consumer-based marketable products.

In summary, my request is for the definitions of qualifying income as proposed in section 7704(d)(1)(E) to be consistent, and not based on a 19th century view of converting crude oil into transportation fuels requires nothing more than simple distillation.