FACT SHEET: Publicly Traded Partnerships (PTPs)

A publicly traded partnership (PTP) is a limited partnership in which "units" are traded on public exchanges such as the New York Stock Exchange. The PTPs which engage in active businesses, primarily in the energy industry, are commonly known as master limited partnerships (MLPs). Midstream MLPs have invested $113 billion in private capital in US energy Infrastructure since 2007. As policymakers debate comprehensive tax reform, some have looked to tax these traded partnerships more like corporations. AFPM strongly opposes taxing publicly traded partnerships like corporations and urges Congress retain the current treatment of MLPs within the U.S. Tax Code during any comprehensive tax reform discussions.

- MLPs are important to the refining and petrochemical industries because MLPs have become the primary builders of midstream energy infrastructure for the US economy. MLPs assets include over 300,000 miles of pipelines forming the backbone of US energy infrastructure linking energy producing regions and end use consumers and manufacturers.

- MLPs are limited partnerships whose interests (limited partner units) are traded on public exchanges, such as the NYSE and NASDAQ. MLPs do not pay corporate level taxes. Instead, the MLP income (most of which is ordinary) flows through and is taxed at the unitholder level.

- Limited partnerships consist of one or more general partners, as well as any number of limited partners. General partners (who can be individuals, corporations, or other partnerships) manage the partnership, whereas the limited partners only provide capital to the partnership, while having no role in its management. When an investor buys units in an MLP, he or she becomes a limited partner and is referred to as a unitholder.

- MLPs are formed in several ways. A non-traded partnership may decide to go public. A corporation may spin off a group of assets or part of its business into an MLP, and in many cases this allows the corporation to reinvest the resulting capital into its core business with higher returns.

- To qualify as an MLP, a partnership must receive at least 90% of its income from qualifying sources such as natural resource activities, interest, dividends, real estate rents, income from sale of property gain on sale of assets, and income and gain from commodities or commodity futures. Natural resources activities include exploration, development, mining and production, processing, refining, transportation, storage, and marketing of any mineral or natural resources. Roughly 80% of MLPs are energy related. Midstream energy assets typically are capital intensive but earn low returns on capital. The combination of investor demand for income paying securities and pass-through status provides midstream MLPs with a low cost of capital which results in a lower cost of energy delivered to consumers.

- A recent INGAA Foundation study reported that North America needs $251 billion of investment in new energy infrastructure over the next 25 years. Midstream MLPs are expected to invest $25 billion in 2013 to build and maintain energy infrastructure.

- Midstream energy PTPs support approximately 330,000 US jobs.

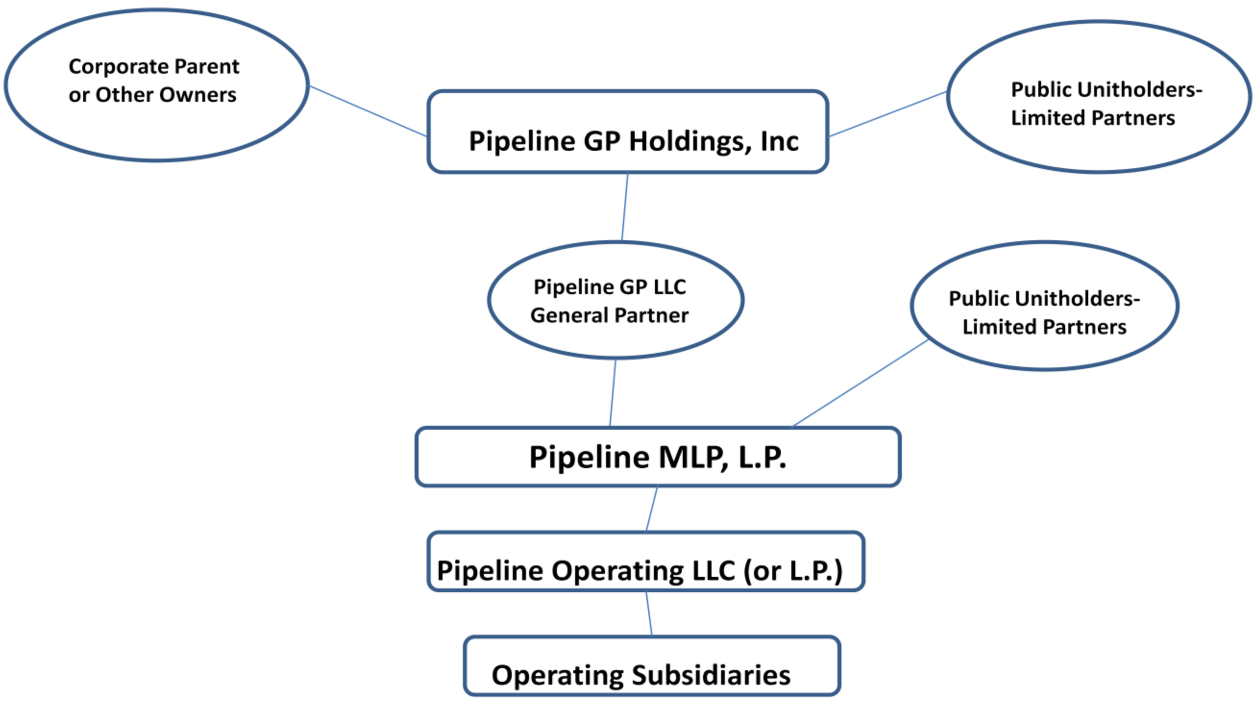
- Investing in MLPs is particularly attractive to fixed income investors (such as seniors) because, similar to REITs, MLPs distribute their operating cash flow each quarter, providing reliable income streams to investors. MLPs also allow individual investors to directly invest and participate in the development of

US energy infrastructure, natural resources and real estate, which balances their desire for a stable investment with the need to fund and build capital intensive infrastructure. Changing the tax treatment of these investments would disproportionately fall on these investors.

- Recent surveys show that up to 80% of MLP investors are individuals, with roughly 75% over the age of 50. Unitholders tend to be domestic retail investors, since certain detrimental tax results may apply to tax exempt or foreign taxpayers who hold MLPs.

How do MLPs work?

MLP with Publicly Traded GP



Source: 2012 National Association of Publically Traded Partnerships

Conclusion

Congress should reject calls to tax MLPs like corporations. The MLP structure has been relied upon by business and investors for over 30 years and was recognized in the Internal Revenue Code in 1987. It has been extremely successful at encouraging investment in domestic energy infrastructure at levels that might not otherwise occur. Due to the capital intensive nature of our businesses, this level of investment allows for easier access to capital as well as helping domestic individual investors by providing them dependable source of cash receipts and a moderate return.