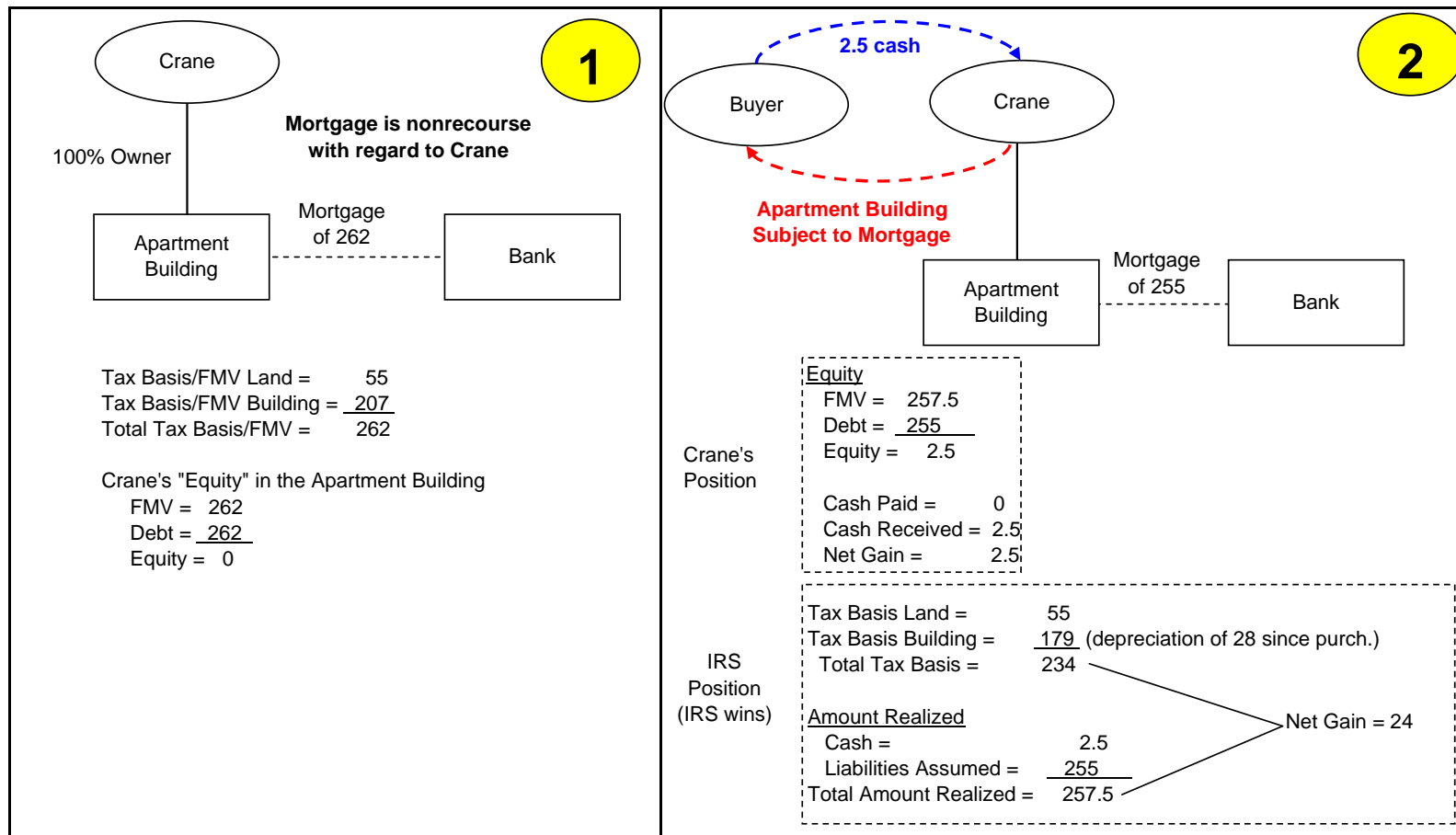


**Debt Relief from Nonrecourse Mortgage**

**Acquisition (1932)**

**Sale (1938)**



In *Diedrich v. Commissioner*, 457 U.S. 191 (1982) the Supreme Court stated:

In *Crane* the Court concluded that relief from the obligation of a nonrecourse mortgage . . . constituted income to the taxpayer. The taxpayer in *Crane* acquired depreciable property, an apartment building, subject to an unassumed mortgage. The taxpayer later sold the apartment building, which was still subject to the nonrecourse mortgage, for cash plus the buyer's assumption of the mortgage. This Court held that the amount of the mortgage was properly included in the amount realized on the sale, noting that if the taxpayer transfers subject to the mortgage, "the benefit to him is as real and substantial as if the mortgage were discharged, or as if a personal debt in an equal amount had been assumed by another."