**Q12. How do the five discharge of debt exclusions compare to each other?**

The following chart illustrates a comparison of the 5 discharge of debt exclusions:

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| --- | --- | --- |
| Exclusion Type | Amount Excluded | Reduction of Tax Attributes |
| Bankruptcy | Unlimited | Yes |
| Insolvency | To the extent of insolvency | Yes |
| Qualified Farm Indebtedness | To the extent of “adjusted tax attributes” plus basis in qualified property | Yes |
| Qualified Real Property Business Indebtedness (elective) | Subject to 2 limitations:   1. To the extent amount forgiven exceeds FMV of secured property. 2. To the extent of basis of depreciable real property. | Reduction of basis of secured property. |
| Qualified Principal Residence Indebtedness | Up to $2,000,000 | None, unless taxpayer retains the residence. In that case, the basis of the residence is reduced by the amount of discharged debt. |
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