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Welcome to

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The Contemporary Tax Journal Summer 2018

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Letter from the Editor

We are honored to present you the Summer 2018 edition of The Contemporary Tax Journal, a publication of the San Jose State University MST program.

This issue begins with a *Tax Enlightenment* article. **Chau Le** examines the Head of Household filing status and a dispute involving its application in the recent court case *Tommy J. Walker, Jr. v. Commissioner*. In the article, Chau analyzes the reasoning underlying the court's decision and addresses his concern over the judge's omission of reading the law in full context.

Next, the *Tax Feature* section presents summaries of selected sessions of the 33rd Annual TEI-SJSU High Tech Tax Institute in November 2017. The topics covered in this section include accounting for income tax, recent developments in tax automation, IP location planning, supply chain planning in response to the pending tax reform, and recent domestic and multistate updates. These contributions are from the fellow students of the MST program.

The *CPA Exam Review* section includes the latest multiple choices questions from Becker CPA Review – Regulation section. We would like to thank Becker CPA Review's generous support and hope you will find this section helpful in preparing for your next CPA exam.

Our *Tax Maven* section of this issue is **Mr. Eric Ryan**, a leading icon in the Silicon Valley, who concentrates in international tax, transfer pricing, and mergers and acquisitions. Mr. Ryan is a partner at DLA Piper, former Tax Director at Apple Computer, Inc., and now teaches two courses in the MST program at San Jose State University. I am honored to have interviewed him and learned about his over 25 years of experience in the tax field. I hope his advice will inspire you as much as you enjoy reading his interesting answers.

Something special about this issue is that all content is generated during a transition of the U.S. tax system from 2017 to 2018. As the Tax Reform was moving forward, the professionals at the High-Tech Tax Institute addressed the potential impact of the tax reform and recommend changes in practice and operations to tax practitioners in order to better adapt to the new laws. As such, our journal's editorial team also wants to recognize this historical time that shakes out and changes a significant amount in our tax system, focuses on the new tax developments going forward and makes a continuous commitment to produce quality deliverables to our readers.

Finally, I want to express my sincere gratitude to **Professor Annette Nellen and Professor Joel Busch** for their guidance, support and tireless efforts throughout the editing process. I also greatly appreciate all the contributions made by the fellow students, as well as Catherine Dougherty, our MST coordinator, and Rani Vaishnavi and Rachana Khandelwal, assistant student editors for their insights and hard work to shape and polish the journal, and finally made this issue possible.

Please enjoy the Summer 2018 issue of *The Contemporary Tax Journal*.

Sara (Yaqin) Sun
Student Editor

Analysis of the Head of Household Filing Status

By: Chau Le, *MST Student*

Tax Filing Status

When it comes to filing individual tax returns, one of the most important tasks for taxpayers is to figure out their filing status. Current tax law allows the following status: Single, Married Filing Jointly, Married Filing Separately, Qualifying Widow(er) with Dependent Child, and Head of Household.[1] As their names refer, only married taxpayers can elect to file as Married Filing Jointly or Married Filing Separately. A taxpayer is deemed married if his or her spouse dies during the taxable year.[2] Likewise, only unmarried taxpayers can elect to file as Single or Head of Household. Tax law defines a taxpayer as unmarried if the taxpayer is legally separated from his spouse under a decree of divorce or of separate maintenance, or if any time during the taxable year his spouse is not a non-resident alien.[3] Besides, a married taxpayer who is not living with the spouse will be considered unmarried for the taxable year if he files a separate return and during the taxable year he maintains his house as a household of a child for more than one half of the year. The taxpayer must also provide more than one half of the cost of maintaining the house and does not live with his spouse during the last 6 months of the taxable year.[4] For those that can file their tax returns as Head of Household, it allows them to claim a higher standard deduction putting them in lower tax brackets, as compared to the Single filing status, which eventually results in a favorable tax treatment for them. Specifically, for the tax year 2017, taxpayers filing as Head of Household can deduct $9,350 from their taxable income as the basic standard deduction while those filing as Single can only deduct $6,350 from their taxable income.[5] Higher standard deductions normally result in lower taxable income, reducing the final amount of tax owed by taxpayers.

[1] IRC §1
[2] IRC §2(b)(2)(A), (B)
[3] IRC §2(b)(2)(C)
[4] IRC §7703
[5] IRC §63