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### New Way To Claim Pets On Your Taxes

There was considerable movement a few years back to change the tax law so you could write off your pets. Not write them off exactly, but claim them as dependents. After all, in some ways they really are, just like children. The idea was rekindled by an article on writing off horse expenses, [Supporting Your Horse Habit](#). The author [Jody Lynne Werner](#) claims—and I can't tell if she is saying it horse tongue in cheek—that you can *adopt* your horse.

Her two-step plan is to legally adopt your horse. Then, she suggests filing the paperwork to have yourself declared as your horse's legal guardian. Cleverly, she goes on. Then, apply for a Social Security number and list him as a dependent on your tax return. She notes that the definition of who is considered 'family' is ever-evolving. She also says that the only legal description for a 'child' for tax purposes is '18 years of age or under.'

Even this age limit can be extended for a child in school or with special needs. Many horses and other animals have needs! Werner concludes that:

“ Nowhere is it stated that the child must be biological. Or human. You can keep this argument tying up in the justice system for so long that by the time the Supreme Court declares equines ineligible as 'children', you'll have moved on to petitioning to get your horse accepted by AARP.



(Photo Credit: Richard W. Rodriguez/ AP Images for PetSmart®, Inc.)

If she is right—and I’m afraid that she probably is *not*—this could work for other animals much less expensive than horses. It could cause a whole movement of people trying to get tax benefits from their pets. A few years back, a tax bill was introduced that would allow tax deductions for pets even though they *can’t* be claimed as dependents like people. The bill, [H.R. 3501](#), was introduced as the “Humanity and Pets Partnered Through the Years” (HAPPY Act).

It would allow deductions of up to \$3,500 a year for pet expenses. It was introduced by Michigan Rep. Thaddeus McCotter and co-sponsored by Rep. Steve Cohen of Tennessee and Rep. Jared Polis of Colorado. Help for people with pet expenses is not a new idea, but the HAPPY Act was at least a serious—though so far unsuccessful—effort. Unfortunately, the bill didn’t go anywhere despite endorsements by the Humane Society of the United States, the American Society for the Prevention of Cruelty to Animals, the Animal Law Coalition, the American Veterinary Medical Association and the Pet Industry Joint Advisory Council.

The bill limits tax benefits to true pets, not business animals. Excluded are research animals and animals involved in a trade or business, such as farm animals that have been the subject of another type of tax deduction within the preceding 3 years. The law as proposed would not be limited to small animals or even any particular type of animal.

“Qualified pet care expenses” would include food, vet costs, etc. but excludes the costs of acquiring the pet. Whether your pets are rescues or expensive purebreds, you probably love them like members of the family. And that should mean tax deductions, shouldn’t it?

Even without Congress, some bold taxpayers will push back. Take the [cat lady who went to Tax Court](#). Her [Tax Court decision](#) could embolden legions of animal lovers. Disagreeing with the IRS, the Tax Court upheld her charitable contribution deduction for unreimbursed monies she laid out to care for a passel of cats—sometimes 70 or 80—in her 1,400 square foot home. Although she had seven pet (personal) cats too, the Tax Court said 90% of her veterinary and pet supply expenses, and 50% of her cleaning supply and utility expenses, were for the foster cats. That meant charitable contribution deductions.

Even before Congress changes the law about pets and taxes, some people manage to claim deductions. For example, how about moving expenses? Even the IRS says you can sometimes deduct the costs of moving your pet. See [IRS Publication 521](#). What's more, this is an above-the-line deduction, meaning that it isn't subject to [AMT](#).

Then there are business expenses. The cost of animals used in a business like a guard dog may be deductible, as long as the company can show they are “ordinary and necessary” costs of doing business. The clearest case would be paying an outside security service, but many expenses for your own animals could still qualify. The business expense category is a wide one as long as your record-keeping and documentation is good.

If you need a service animal, the cost of acquiring or caring for a service animal such as a guide dog is eligible for a medical deduction. See [IRS Publication 502](#). Unfortunately, medical expense deductions are subject to high thresholds and often turn out not to yield tax savings.

Finally, if you are thinking about estate planning, consider pets there too. Who can forget Leona Helmsley who earned notoriety in estate planning with her [\\$12 million bequest](#) to her beloved Maltese named Trouble. Plus, fees to maintain a pet while an estate is being settled may be deductible.

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