



5 Ways to Claim Your Pets on Your Tax Return

Can pets actually be a tax write-off?

No, the IRS won't let you claim your fur babies as dependents, but pets can still fetch some extra tax breaks in specific cases.

Pet owners are not surprised to hear that more than half of American households have a pet. What might raise a few eyebrows is the expense of owning pets. Many pet parents can be strapped financially with these costs and can use all the help they can get.

Consider these typical expenses:

- Pet owners spend an average of \$1,560 a year on their beloved companions
- Annual routine veterinary costs for a dog are about \$257
- Annual vet visits for a cat runs \$182
- Surgical expenditures can rapidly double or triple those figures

An Association of International Certified Professional Accountants report on Americans found:

- 1 in 3 people have sacrificed their retirement account to pay for pet-related expenses
- 1 in 4 would miss paying a credit card bill to cover something for their pets.

It takes a lot of scratch to pay for food, vet visits, cat litter, and other essentials. However, many of these expenses are eligible for a tax deduction if your pet qualifies.

5 potential ways to claim your pet on your tax return

(Sources: The Tax Institute at H&R Block and Embrace Pet Insurance.)

1. Your pet is a service animal.

The expenses for a service dog of individuals with physical disabilities, or those who need a guide dog for vision or hearing impairments, are most certainly tax-deductible per IRS Publication 502. Expenses include:

- The cost of purchasing the animal,
- The animal's training fees
- Food and grooming fees (for maintaining the health of the animal so that it can perform its duties)
- Vet visits
- Pet owners who have mental health conditions, such as PTSD, that benefit from a therapy animal may also be able to find deductions.

According to *Moneyish* (the personal finance branch of MarketWatch.com), clarifies that a service animal is "an animal that has been trained by an organization that is formally in the business of being a service animal." Sorry, your cousin, who is "great with animals," doesn't qualify.

Essentials for claiming service animals and their expenses include:

- a letter from your doctor with the diagnosis of your condition
- a recommendation or prescription from your doctor specifically for a service animal
- documentation of your service dog's training
- the receipts for all expenses related to your animal that you want to deduct

2. Your pet is a business animal.

Working dogs, and yes, even cats, may be eligible for deductions to cover their living expenses, including food, veterinary care, and training related to their jobs.

Animals that may qualify include:

- Security dogs protecting a place of business
- Cats employed to control rodents at the workplace (particularly when hiring animals for these services is common in your field)

"Documentation is very important," says Alison Flores of The Tax Institute at H&R Block. "You need to demonstrate a need for the animal and maintain good records." A diary or logbook of the animal's hours worked makes this much easier for the IRS to accept the deduction.

3. Your pet is an animal that produces income.

Performing animals who star in print or TV ads, movies, and TV shows qualify for deductions. And in our world of technology, critters making money for you by being social media influencers (hello, Doug the Pug and Grumpy Cat) may qualify for deductions if they are generating enough income for their owners to be taxable income.

"If your dog is an Instagram star, that's your business, that would be reported as self-employed income, so the IRS would look at it as a business, and then look at what business expenses are associated," explains Florence.

Pet expenses that may be deductible as business expenses:

- Transportation cost of your pet to shoots
- Food
- Grooming
- Vet expenses

- Medications, etc.

4. Your pet is a foster animal.

If you foster a pet for a nonprofit organization, your expenses such as food, medications, travel costs, and supplies can be deducted. Suppose you formally agree to provide a service to foster an animal, and you are contributing to the cost of food and care of that animal. In that case, you are considered to be providing a service to a charitable organization. If you keep good records, "that could be a charity donation," said Flores - and eligible for a deduction. However, the shelter or rescue organization for which you are fostering animals must be an IRS qualified 501(c)(3) nonprofit organization. Flores notes you can't write off expenses "for an animal you just found on the street and took in." Kindness can be rewarded in unexpected ways.

5. You are in the military, moving, and taking your pet with you.

Before the recent tax law changes, civilians were allowed to deduct moving expenses for members of your household, which included what it cost to ship or transport your pet. But now, moving expenses are no longer deductible for most of us.

However, there is an exception for armed forces service members. The cost of moving your household is deductible, and traditionally pets have been considered part of your household. Transportation costs of your pet can be deducted. These savings can be helpful if you are moving across the country from one coast to the other.

Most folks view our tax laws as onerous and invasive to our lives. But keep in mind that we live in the country that has influenced history like no other. Many Americans are stunned when they realize what people in other countries pay in taxes (Germans pay on average 39.7% income tax!). There are many reasonable considerations for tax deductions in our tax code.

Your pet may qualify for deductions, but don't play catch-me-if-you-can with the IRS. It's always best to consult a CPA who can advise you to get your maximum deductions. Tax Wizards East has not only experience with deductions for pets but also horses and cows too. Call us at 352-502-2164 to explore how we can help you enjoy your pet even more!