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Introduction to Animal Therapy and its Related Tax Benefits

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Abstract

How are animals being used to improve the emotional and physical health of individuals? What are the tax implications associated with service and therapy animals? We examine these questions by providing an introduction to the subject of Animal Assisted Therapy, including how therapists and counselors are routinely using therapy animals in both individual and group treatment settings. Additionally, we discuss the potential tax savings that may be available to counselors and their clients who are using service and therapy animals. We also offer recommendations and guidance for counselors who wish to incorporate animal therapy into their treatment options.

Keywords: animal therapy, tax

Introduction to Animal Therapy and its Related Tax Benefits

Over the past several decades, it has become a more common practice to use animals to improve a person's emotional and physical health. The significance of the human-animal bond has garnered both clinical and research interest. Psychotherapists, educators, social workers, and counselors are routinely using therapy animals in both individual and group treatment settings. Many types of animals, including dogs, horses, and cats, are used for therapeutic purposes. Dogs are the most common therapy animal (and for ease of discussion this article will primarily refer to therapy dogs) but much of the discussion also applies to other types of therapy animals. The purpose of this article is two-fold: first, to introduce the subject of using an animal to improve a person's physical, emotional, and psychological well-being; second, to describe the tax benefits that may be available to counselors and their clients who are using a service or therapy animal.^{1,2}

Background: Service Dogs vs. Therapy Dogs

First, it is important to make a distinction between two common uses of animals in the service of humans: service dogs vs. therapy dogs.³ Service dogs are not the same as therapy dogs. Service dogs are used to aid specific individuals with specific physical, mental, or emotional disorders. A "service dog" refers to any dog that is individually trained to do work or perform tasks for the benefit of an individual with a disability, including a physical, sensory, psychiatric, intellectual, or other mental disability.

Here are examples of animals that fit the ADA's (Americans with Disabilities Act) definition of "service animal" because they have been specifically trained to perform a task for the person with a disability:

- Guide Dog or Seeing Eye[®] Dog is a carefully trained dog that serves as a travel tool for persons who have severe visual impairments or are blind.

- Hearing or Signal Dog is a dog that has been trained to alert a person who has a significant hearing loss or is deaf when a sound occurs, such as a knock on the door.

- Psychiatric Service Dog is a dog that has been trained to perform tasks that assist individuals with disabilities to detect the onset of psychiatric episodes and lessen their effects. Tasks performed by psychiatric service animals may include reminding the handler to take medicine; providing safety checks or room searches, or turning on lights for persons with Post Traumatic Stress Disorder; interrupting self-mutilation by persons with dissociative identity disorders; and keeping disoriented individuals from danger.

- SSigDOG (sensory signal dog or social signal dog) is a dog trained to assist a person with autism. The dog alerts the handler to distracting repetitive movements common among those with autism, allowing the person to stop the movement (e.g., hand flapping).

- Seizure Response Dog is a dog trained to assist a person with a seizure disorder. How the dog serves the person depends on the person's needs. The dog may stand guard over the person during a seizure or the dog may go for help. A few dogs have learned to predict a seizure and warn the person in advance to sit down or move to a safe place (Brennan & Nguyen, 2014).

According to Department of Justice's ADA guidelines, a "service animal" is individually trained to perform tasks for those with disabilities. As noted above, this can include a wide range of tasks such as sensing that a person will soon have a seizure and protecting them when the seizure begins, calming a person with PTSD during an attack, or reminding an individual to take prescribed medications at the correct times. It is important to note that animals whose *only* function is to "provide comfort or emotional support" are not considered "service animals" per the ADA guidelines: www.ada.gov/service_animals_2010.htm. However, the ADA defines a "disability" quite broadly and protects people with various disabilities (both observable and unseen). The ADA

does require a service dog to be specifically trained to alleviate the owner's disability. It should also be noted that the ADA protects the rights of individuals to be accompanied by service dogs in public places.³ Finally, dogs are not required to register in order to qualify as a service dog.

Unlike service dogs, therapy dogs provide people with therapeutic contact, usually in a clinical setting, to improve their physical, social, emotional, and/or cognitive functioning. Typically, therapy dogs' training and certification enables them to work in public places. They often go with their handlers to visit *multiple* individuals at schools, hospitals, and nursing homes. Therapy dogs may also be used by mental health professionals to treat a variety of patients.

As support animals, therapy dogs can provide companionship, relieve loneliness, and sometimes help with depression, anxiety, and certain phobias, but typically do not have special training to perform tasks that assist people with disabilities. It is important to note that therapy dogs do not have the same legal designation as service dogs. As such, businesses face no ADA requirement to permit therapy dogs on their premises. Both service dog and therapy dog expenses may provide tax savings as explained further below. Individuals are often not aware that the dog may qualify as a service dog or are not aware of the various services these animals can provide.

Introduction to AAT

There are several forms of animal-based "therapy." Animal Assisted Therapy (AAT) is a guided interaction between a person and an animal, the purpose of which is to help someone recover from or cope with a health problem. AAT is a structured therapeutic intervention directed by a trained professional with expertise within the scope of the professional's practice. In contrast, as noted by the International Association of Human-Animal Interaction Organizations (IAHAIO), Animal Assisted Activity (AAA) involves *informal* interactions often conducted by a volunteer human-animal team for motivational, educational, and recreational purposes. There are no

treatment goals for these interactions. AAA may be facilitated by individuals who do not have a professional degree related to the therapy, but the human-animal teams have likely received a basic level of training and assessment to participate in the activity. A professional healthcare provider may direct the AAA for specific documentable goals. In this case, the handler teams are participating in either AAT or Animal Assisted Education (AAE). AAE is a planned and structured intervention delivered by an education professional. The focus of AAE activities is on academic, social, or cognitive functioning skills. The student's progress is measured and documented. An example of AAE delivered by a special education teacher is a dog-assisted reading program. It is important that the therapy animal and its handler be evaluated by and registered with a nationally recognized therapy animal organization with standardized evaluation procedures.⁴

Benefits and Common Uses of AAT

Academic research, as well as anecdotal evidence, supports the following potential benefits of incorporating AAT into psychotherapy:⁵

1. The presence of the animal may help the counselor build a positive therapeutic alliance more quickly.
2. The animal facilitates rapport between the client and the counselor.
3. The animal's nonjudgmental nature may help the client feel more comfortable trusting the counselor and disclosing during the counseling session.
4. The animal can act as a transitional object for the client, allowing the client to convey feelings through the animal rather than talking directly with the counselor.
5. The animal may lower anxiety and motivate participation in therapy.
6. The animal interaction may help the client get in touch with their feelings.

7. For the client, the animal can be a friendly ally, aiding in presenting a safe atmosphere for sharing.
8. The animal may nurture and provide unconditional acceptance.
9. The animal may provide a calming effect, which may reduce stress and anxiety not only for the patient, but also for the family or friends accompanying patients.
10. The animal's presence may reduce perceived pain and reduce use of pain medication.
(Braun, Stangler, Narveson, & Pettingell, 2009; Havey, Vlasses, Vlasses, Ludwig-Beymer, Hackbarth, 2014)

Uses in Education

Dogs are currently being used in academic institutions to curb violence, lessen adolescent anxiety, reduce stress during exam times, teach discipline, and increase confidence and empathy. The Mutt-i-grees Curriculum is an innovative preK-Grade 12 program developed by the NSAL's Pet Savers Foundation in collaboration with Yale University School of the 21st Century. The goal of the curriculum is to help children grow up to be calm, confident, and caring adults. The program teaches social and emotional skills and offers a unique bridging of humane education and the field of Social and Emotional Learning (SEL). The notion underlying SEL is that being socially and emotionally competent leads to success in school; the feedback from schools incorporating this curriculum has been very positive. Interested counselors should review the Mutt-i-grees website (education.muttigrees.org) for additional information. It should be noted that the curriculum does not require the presence of a therapy dog, although some schools involve a therapy dog in lessons.

Uses in Grief Counseling

Therapy dogs, or just the presence of a non-therapy dog, has been shown to help people cope with the loss of a loved one. Grief counselors know that often the most helpful thing that can be done for a grieving individual is to listen with non-judgmental ears, allow them to talk and cry, and accept the grief as a road to healing. A dog performs this role well and willingly. Therapy animals provide a form of positive psychology. The animal provides comfort and shifts the focus of the grieving individual to a more positive emotional state. Many funeral homes have and use therapy dogs. According to Jessica Koth, public relations manager for the National Funeral Directors Association, dogs have an amazing ability to put people at ease in a very emotional and difficult situation (Marek, 2017).

Cardiovascular Treatments

Pets play an important role in human health, as the social support they provide is a powerful predictor of wellness behaviors. The American Heart Association published a scientific statement, “Pet Ownership and Cardiovascular Risk,” with the purpose of critically assessing the data regarding the influence of pet ownership on the presence and reduction of cardiovascular disease (CVD) risk. The study’s conclusions are 1) Pet ownership, particularly dog ownership, is probably associated with decreased CVD risk, and 2) Pet ownership, particularly dog ownership, may have some causal role in reducing CVD (AHA Scientific Statement).

Mental Health-related Treatments

Animal-based interventions are being used to treat individuals with autism, PTSD, and trauma victims (e.g., following a natural disaster, terrorist attack, school shooting, or other traumatic event). For example, research shows that putting a resting therapy dog alongside the

body of a traumatized child can result in a matching of the child's heart rate and respiration to the animal's. This process allows the child to recalibrate his or her own physiology and slow down acute stress reactions. This is significant, since the longer the brain of a trauma patient feels unsafe, the less positive the outcome.

The Department of Defense recently sponsored a research report on the use of equine therapy to treat members of the armed forces suffering with PTSD, mood disorders, anxiety, eating disorders, and addiction. While there was shown to be an insufficient body of evidence to determine the effectiveness of equine therapy, the department will continue to review the clinical literature every three years to determine if quality research evidence supports the use of equine therapy in these treatments.⁶

Therapy dogs are currently being used in a variety of public settings for mental health purposes, including correctional facilities, district attorney's offices, departments of social services, hospitals, nursing homes, non-profits serving at-risk youth, and rehabilitation centers. It is becoming evident that pharmacological and traditional talk therapy are not always effective in treating certain psychological disorders, so alternative approaches, including animal therapy, are on the rise. This even extends to the treatment of patients who are prone to becoming socially isolated (e.g., older adults and individuals suffering from Alzheimer's disease). In sum, animals can be very effective psychological and social support systems in many different situations.

There are numerous resources available to counselors and others who wish to learn more about AAT. One such resource is the American Counseling Association's Animal Assisted Therapy in Mental Health interest network. Guidelines and standards regarding the practice of AAT have been published by several agencies, including Pet Partners, the International

Association of Human-Animal Interaction Organizations, the American Veterinary Medical Association, and the American Journal of Infection Control (Lefebvre et. al, 2008).

Tax Issues

There are many potential tax issues surrounding the use of animals in therapy, both from the perspective of the therapist and the client. This section serves as a basic, introductory resource to address some of these issues.

Medical Expenses: Overview

One major area with tax implications for service and therapy animals is the area of medical expenses. According to the Internal Revenue Code, the term “medical care” includes the diagnosis, cure, mitigation, treatment, or prevention of disease (26 USC § 213(d)). The Treasury Regulations provide additional details and hold that medical care expenses include those paid for the purpose of affecting any structure or function of the body or for transportation primarily for and essential to medical care (26 CFR § 1.213-1(e)(1)(i)).

In general, to the extent they exceed 10% of adjusted gross income (7.5% for individuals over 65), a taxpayer can deduct expenses paid for medical care of the taxpayer, his or her spouse, and any dependents (26 USC § 213(a); 26 USC § 213(f)). This means that the medical expense must be rather substantial in relation to income before any deduction is recognized. For example, if a taxpayer had adjusted gross income of \$100,000 and medical expenses of \$10,000, then \$0 deduction would be available because the expenses did not exceed 10% of adjusted gross income. However, if medical expenses were \$10,001, then the taxpayer would get a \$1 deduction from the medical expenses. In sum, the recognized medical deduction is only the amount *exceeding* 10% of adjusted gross income.

It should be noted that many different medical costs and provider fees can qualify as medical expenses for tax purposes. These include fees for psychiatrists, psychologists, chiropractors, acupuncturists, and nurses, among others (Rev. Rul. 55-261; Rev. Rul. 68-295). Fortunately for taxpayers, the tax law does not require one to determine whether a provider is authorized under state law or licensed to practice in order to claim a medical expense deduction (Rev. Rul. 63-91; *Wendell v. Commissioner* 1949). Instead, the taxpayer must only show that the amount paid was for medical care.

Service Dogs as Medical Care

Per the Treasury Regulations, the cost of a seeing-eye dog qualifies as a deductible medical expense (26 CFR § 1.213(e)(1)(iii)). More specifically, costs associated with the acquisition, training, and maintenance of a seeing-eye dog or a hearing assistance dog are deductible medical expenses (Rev. Rul. 55-261; Rev. Rul. 68-295). While these dogs obviously do not cure the taxpayer's medical condition, they do reduce the negative impact of the condition to the taxpayer and allow the taxpayer to better cope with the condition. This same logic applies to the cost of a service dog used to treat PTSD, autism, and other similar conditions. The cost of a dog that is trained to treat, and used for, an individual's medical condition or illness, should be considered "medical care" for tax purposes.

It is important for taxpayers to keep supporting documentation associated with the medical care costs. The supporting documentation must show that the expenditure was for medical treatment *and* that the expense would not have been incurred for nonmedical reasons (Jacobs, 1974). Individuals must understand that an expenditure that is merely beneficial to general health (such as the cost of a gym membership or vitamins) is not a deductible medical expense (26 CFR 1.213-1(e)(1)(ii)). In order to deduct the costs for the service animal as a medical expense,

taxpayers must show that the dog is being used primarily for therapeutic purposes and that these costs would not have been incurred absent the taxpayer's disability.

Service vs. Therapy Dog Costs

Service Dog Expenses. Service dogs receive many hours of training, generally six months or more (Assistance Dogs International). These training costs can be very expensive. John Ensminger, author of *Service Dogs in America*, estimates that the training process for a psychiatric service dog can cost as much as \$38,000 (Landau, 2012). Other sources cite even higher training costs. Many nonprofit organizations are devoted to training and providing assistance dogs and others may cover the cost of the dog for a disabled individual.⁷ However, many owners may be required to pay some if not all of the training and dog costs, as insurance and government assistance programs do not generally cover these costs.

Since owners generally need to be involved in the service animal training process, travel may be required. Certain travel and transportation costs an owner incurs to be trained with the animal should qualify as medical expenses (26 CFR § 1.213-1(e)(1)(iv)). Examples of potentially deductible travel expenses include amounts paid for gas, oil, bus, taxi, train, parking and other necessary out-of-pocket expenses (26 USC § 213(d)(1)(B)). A \$.17 per mile (2017) deduction may be used instead of actual expenses. Unfortunately for taxpayers, the cost of meals and lodging while away from home to receive the training are not deductible (26 CFR § 1.213-1(e)(1)(iv)). For example, if an individual living in North Carolina travels to Texas to be trained with a service dog, then the airfare from NC to TX would qualify as a deductible medical expense, but the meals and hotel costs while staying in Texas for the training would not qualify. Travel expenses (e.g., airfare) of a companion, parent, or helper who accompanies a person who is unable to travel alone are also deductible as medical expenses (Rodgers, 1955; Cohn, 1962).

Suppose a counselor and her client are investigating the health benefits of a service dog to treat a specific condition from which the client suffers. The counselor may advise the client to attend a conference to learn more about the issue. In this case, the individual, including the individual's parent or accompanying assistant, may be able to deduct the conference costs as long as they can show that their attendance was primarily for the individual's medical care. As noted previously, the cost of meals and lodging while attending such a conference would not be deductible.

Counselors should emphasize to their clients that the medical purpose of all travel and transportation costs should be documented to sustain the deduction. For example, clients should maintain supporting evidence in their tax files that the conference provided information that was useful to making decisions about treatment, was recommended by their counselor or medical care provider, and that the personal or recreational activities outside the conference were not the primary reason for the individual's conference attendance.

In summary, expenses associated with acquiring, training, or using a service dog are generally tax deductible as medical expenses (Rev. Rul. 55-261; Rev. Rul. 68-295). Counselors should make their patients aware of these potential tax savings and encourage them to seek the advice of a tax professional.

Therapy Dog Expenses. Therapy dogs, unlike service dogs, typically work with more than one individual. These dogs are often the pet of the handler. The dog expenses paid by the handler/owner (who is not also the recipient of the therapy) will not generally qualify as deductible medical costs. However, depending upon how the dog is used, the handler/therapist may be eligible for business expense or charitable contribution deductions. Furthermore, individuals paying

expenses for dog therapy as part of their medical treatment may be entitled to a medical deduction, as explained earlier. The tax savings that may be available to these individuals are discussed below.

Charitable use of Therapy Dogs

For those taxpayers who complete Schedule A of Form 1040 (Itemized Deductions), charitable contributions can provide a tax deduction and lower the tax liability of the taxpayer. While charitable contributions are often associated with gifts of cash to a charity, tax-deductible charitable contributions can come in several forms. If a therapy dog is used to provide therapy for a charitable organization, then certain expenses may qualify as a deductible charitable contribution (26 CFR § 1.170(c)). Expenses paid to provide dog therapy services to schools, nonprofit hospitals, and state and local governmental units (such as the departments of social services) would also be eligible for a charitable contribution deduction. The following discussion assumes the dog handler is not in the business of providing therapy and is not being compensated for the services. Those tax issues are discussed in a separate section of this article.

The value of the handler's services (e.g., the cost associated with the handler's time spent providing the therapy to the charitable organization) is not a deductible charitable contribution. However, unreimbursed expenditures incurred to provide the services to a qualified charitable organization may be deducted (26 CFR § 1.170A-1(g); Wolf, 1933; Upham, 1929). In order to be tax deductible, the charity should be the primary beneficiary of the therapist's services and the expenditure must be necessary to provide the services (Brinley, 1986; Patterson, 1980). The services do not have to be under the supervision of the charity, but they must be for the benefit of the charity and support its charitable mission (Smith, 1973). To qualify as a charitable contribution, these unreimbursed expenditures must be directly connected to the provision of the therapy services (Rev. Rul. 58-240; Rev. Rul. 71-135; Rev. Rul. 58-279). In other words, the charitable

work (i.e., animal therapy) must be the cause of the expense (Orr, 1965; Smith, 1973; Brinley, 1986). Examples of expenses the therapist might incur to provide the services include the mileage costs to and from the charitable organization (currently tax law permits \$.14 per mile for charitable purposes), parking fees, lunch for a day-long event, and special dog equipment or toys used while providing the therapy.

In many cases, the services may provide a benefit to both the charitable organization and the therapist/handler. Therapists should note that they will not be denied a tax deduction merely because they enjoy the activity as long as the charity is the primary beneficiary of their services. Typically, individuals involved with animal therapy are doing so because they love animals and they desire to serve others.

A therapist/handler may decide to conduct charitable therapy in their personal residence. In this case, individuals who provide animal therapy in their own home are not allowed a charitable deduction for an allocated amount of usual household costs (e.g., rent, utilities, mortgage payments, depreciation, and similar items) (LTR 8121070). However, any actual out-of-pocket expenses required to perform the charitable services would be deductible. For example, any items of special equipment for the dog or the client (e.g., toys and books used during therapy with a child) that are used solely for the therapy should be deductible. Individuals often overlook potentially deductible expenses. Therapists/handlers involved in charitable animal therapy should seek the advice of a tax professional to generate a list of potential deductions and take advantage of these tax savings.

Charitable Donation Substantiation Requirements. It is important for all individuals, including those involved with animal therapy, to maintain adequate records of the charitable-related expenses and activities. This includes any out-of-pocket expenses incurred when donating

services (IRS Publication 526). Cash contributions to any charitable organization must be substantiated, regardless of dollar amount, by a bank record or a written communication from the charity showing the name of the charity, the date of the contribution, and the amount (26 CFR § 1.170(f)(17); Pension Protection Act of 2006). A bank record includes cancelled checks, bank or credit union statements, and credit card statements that show the name of the charity and the transaction posting date (IRS News Release 2006). Moreover, cash contributions of \$250 or more must be substantiated by a written acknowledgement of the contribution from the recipient organization (26 CFR § 1.170(f)(8)).

Reliable records must be kept for auto expenses (such as a mileage log or diary showing the date, charitable purpose of the trip, and miles driven), and the documentation should be retained by the taxpayer (IRS Publication 526).

Therapists/handlers should obtain a letter from the charitable organization stating the purpose and nature of the service activity and indicating how the therapy furthers the charity's mission. To be safe, individuals should also obtain and retain documentation from the charity showing the dates the services were provided and the location of the services in order to support their deduction for transportation expenses. As a reminder, charitable deductions are only available to taxpayers who complete Schedule A (Itemized Deductions) of Form 1040.

Use of Therapy Animals in Professional Practice (Business Use)

As previously noted, many animal therapy activities are performed by volunteers in conjunction with nonprofit (501(c)(3)) organizations. For example, according to the rules of Pet Partners, volunteer therapists cannot specifically charge for AAT. Other therapy dog registration organizations may have similar rules. Alternatively, some counselors may use animals as part of

their professional treatment options; thus, costs associated with these animals may be legitimate business costs. For example, dogs may be used by professional counselors to help victims handle the aftermath of violence and abuse (e.g., the San Bernardino district attorney's office uses two dogs in the special victim unit to reduce anxiety and help victims (often children) feel more comfortable in court, especially during testimony) (Ramos, n.d.). This section discusses the tax implications of the professional practice of animal therapy.

The tax issues for health professionals who are using animal therapy in their professional practice are generally the same as for other businesses.⁸ However, because these dogs may also be the therapist's pet, there are some limitations on what expenditures may be deducted, if any. Only those additional expenses necessary for and directly related to using the animal in the therapist's professional practice may be deducted. For example, if the dog is crated at the office when not in service, then this crate may qualify as a deductible business expense. However, if the same crate is used at home, then the item is not a valid business expense. Any special equipment, such as a service dog vest, halter, or leash, used only when the dog is performing therapy may also be deducted. Additional insurance premium costs, the cost of therapy dog certification and registration, and any continuing education expenses required to train the dog may also be deductible business expenses.

It should also be noted that the IRS distinguishes between businesses and hobbies, and business expense deductions are not available to handlers whose activities do not rise to the level of being a valid business. While this distinction can be complicated, a primary factor in determining whether an activity is a business or a hobby is the intent to make a profit. The tax deductions associated with hobby activities are substantially limited. If this is a potential concern, counselors are advised to discuss the business vs. hobby distinction with a tax professional.

Home Office Costs

Professional animal therapists may use their personal residence as workplace, which could result in a home office tax deduction. In general, most home-related costs are not deductible for tax purposes (with the exception of mortgage interest and real estate taxes). However, if a portion of the home is used for business purposes and qualifies as a “home office” per tax law, then some of the otherwise nondeductible costs (such as insurance, utilities, repairs and maintenance) may be deducted. In order to deduct home office expenses, a portion of the home must be used exclusively on a regular basis as-

- a principal place of business for any trade or business of the taxpayer, or
- a place of business that is used by patients, clients, or customers in meeting or dealing with a taxpayer's trade or business (26 USC § 280A(c))

The "exclusive use" requirement dictates that the office portion of the home must be used solely for the therapy activity. For example, a therapist will not be able to deduct costs associated with an office in a bedroom if the room is also used by out of town guests. Similarly, a basement office would not qualify for the home office deduction if this space is also used for family recreation.

The home office satisfies the “principal place of business” requirement if the office is used by the therapist to conduct administrative or management activities pertaining to the business, and there is no fixed other location of the business where the individual conducts substantial administrative or management activities (26 USC § 280A(c)(1)). For example, a room that is used to do administrative or management functions of the therapist’s business (e.g., invoicing, paying bills, patient record keeping) but is not used to meet clients will qualify as a home office if there

is no other office location available to do these administrative activities. However, a room used to meet with clients would qualify as a home office even if the therapist performs similar activities at another location as long as the room meets the exclusive business use test, described previously.

Even if a taxpayer meets the tests described above, there can be additional limitations to the home office deduction. For example, in the case of a therapist, the deduction for home office expenses is limited to the income from the therapy business, reduced by the allocable portion of otherwise deductible interest and taxes, and any expenses not related to the use of the home which would be deductible as regular business expenses (e.g., advertising, supplies, and incidentals) (26 USC § 280A(c)(5)). There are other details that are beyond the scope of this article, but therapists who have a home office are encouraged to talk to a tax professional about taking advantage of the home office deduction.

Making a Case for Animal Therapy Medical Deductions

It was previously noted that service dog expenses are deductible medical costs whereas therapy dog costs may qualify for a medical deduction depending upon the facts of the particular case. The IRS may question an individual claiming medical deductions on their tax return for animal therapy because the IRS is unfamiliar with the use of animals in medical care. Individuals, with the aid of their tax advisers, should be prepared to defend the deduction. The medical deductions associated with animal therapy remain untested in the courts, and there are court cases with similar facts and logic that may be used to articulate a response to the IRS if the animal therapy deductions are ever questioned. One such case provides a solid basis of support for the deductibility of animal therapy costs. In this case, the court allowed a deduction for expenses related to hormone therapy and sex reassignment surgery (O'Donnabhain, 2010). The court agreed that the expenses were medically necessary because: (1) the disorder is widely recognized as a

legitimate diagnosis in diagnostic and psychiatric reference texts; (2) the seriousness of the condition was affirmed by texts and experts who testified; (3) the mental health professionals involved in the case found the taxpayer's disorder to be a severe impairment; and (4) the Courts of Appeal generally consider gender identity disorder to constitute a serious medical need. The court, which noted that the definition of "medically necessary" varies according to the defining party, ultimately agreed that the treatments are appropriate and effective in treating Gender Identify Disorder (GID). The hormone therapy and sex reassignment surgery were deemed to be directly related to the taxpayer's GID; the procedures were found to be essential elements of the treatment that would not have been undertaken for nonmedical reasons. The IRS has since announced that it will follow the decision of this court (O'Donnabhain, 2010).

The case and findings described above may pave the way for the favorable tax treatment of animal therapy medical expenses. One can apply similar logic and chain of reasoning to support medical deductions for animal therapy. There is a growing body of anecdotal research supporting the effectiveness of animal therapy treatments, and medical professionals are beginning to recognize the effectiveness of the treatment. In the case where the IRS questions the validity of animal therapy medical expenses, individuals should consult with a tax professional to get assistance in gathering the documentation necessary to support the deduction. In addition, the tax professional should be prepared to justify the deduction, and the O'Donnabhain case described above is an excellent resource to use in that undertaking.

Other Tax Planning Items and Summary Points

Below are some summary points and tax planning items of which counselors and clients should be aware. It is likely that many clients do not know about these potential tax benefits, so counselors should communicate with their clients to at least provide an awareness of these tax issues.

- Counselors and their clients should know that payments to licensed and *unlicensed* practitioners can be deducted as long as the service provider renders medical care. For example, if a taxpayer incurs transportation costs to drive a dependent with Sensory Processing Disorder to a dog therapy session, the transportation costs should be considered a deductible medical expense, even if the therapy is conducted by a volunteer who has no certification. The current medical mileage rate is \$.17 per mile.
- Therapy animals may be raised by volunteers, at least initially. For example, “puppy raisers” may board and raise a dog until formal training begins. In these cases, the puppy raisers would incur costs for the dog’s food, supplies, medical care, obedience classes, etc. Counselors or clients who are involved in these activities should note that many of these costs may qualify as deductible charitable contributions (see previous section for a discussion of charitable contributions).
- The tax law is clear that medical insurance premiums paid for the taxpayer, taxpayer’s spouse, or dependents may be deducted as medical expenses (26 CFR § 1.213(d)(2)); 26 CFR § 1.213-1(e)(4)). However, individuals who are paying for their service dog’s health insurance should ask their tax advisers to investigate the option to include premiums paid on the service dog’s health insurance policy as a possible medical expense deduction (see IRS Publication 502).
- Any additional liability insurance premiums or costs paid for using the therapy dog in the counselor’s business may be deductible as business expenses.
- Counselors should make their clients aware that a Health Savings Account (HSA), ABLE account, or flexible spending account may also be used to cover service dog expenditures or dog therapy treatment costs. Each of these accounts offer specific tax advantages. The decision

whether or not to use these accounts may be complicated; therefore, individuals should consult their tax adviser.⁹

Other Recommendations

Counselors should take action to protect themselves in a legal sense. Naturally, not everyone is positively affected by the presence of therapy animals. For example, clients may fear dogs or are not comfortable with an animal in the room, or they may have allergies. For many reasons, a written, signed consent should be obtained from the client before incorporating animal therapy into their treatment plan. Furthermore, safety measures for clients must be in place. Professionals must do their best to ensure that clients do not have any specific allergies or health problems that increase the risk that a disease may spread from the animal to the client or from the client to the animal. Appropriate testing with individual animals is advised. In addition, when the clients' religious, cultural, or other beliefs are in conflict with recommended animal therapy, it is advisable to discuss alternative options. Finally, other stakeholders should be considered as well. For example, co-workers in the office may also have allergies, fears, or other issues with having an animal in the office. These sorts of issues should be addressed ahead of time if possible.

Animal rights is an additional consideration. The counselor should be an advocate for the therapy animal; client conduct towards the animal must be limited so as to protect both the animal and the client. The animal should be protected against fatigue and stress. Specifically, the handler should provide the animal with appropriate accommodations such as a quiet area for rest, water, and regular bathroom breaks. As noted by IAHAIO, "animal therapy should only be performed with the assistance of animals that are in good health...and that enjoy this type of activity. Professionals are held accountable for the well-being of the animals they are working with." (IAHAIO). Organizations registering therapy animals often outline recommended rules in this

area. For example, The American Veterinary Medicine Association (AVMA) Animal Assisted Intervention Guidelines provide recommendations to protect both the human and the animal involved in animal therapy:

<https://www.avma.org/KB/Policies/Pages/AnimalAssistedInterventionsGuidelines>

Others sources for animal assisted therapy information include the American Humane Association, the American Society for the Prevention of Cruelty to Animals, and Pet Partners.

The risk of potential harm to the client is a concern despite the rigorous training of the animal (i.e., therapy dog). These risks should be clearly outlined and reviewed with the client in the informed written consent before incorporating an animal into the treatment plan. Professionals should understand the applicable federal and state law and seek the advice of an attorney before implementing AAT. The counselor's insurance agent should also be notified, and additional insurance coverage may be necessary. Many hospitals, schools, and other institutions have established policies and procedures for their dog therapy program, and counselors working in these areas must abide by these rules. Professionals should also consult their code of professional ethics.¹⁰

In summary, an article by Cynthia Chandler provides several key areas in which mental health professionals who engage in AAT should demonstrate knowledge and skill: (1) social skill development and obedience training for the animal (2) therapy training for the animal and handler (3) establishing and maintaining a positive relationship with counseling staff (4) assessing appropriateness of AAT with the client (5) taking steps to prevent transmittable diseases between the animal and humans (6) establishing counseling goals and interventions and (7) assessing progress (Chandler, 2001).

Future Research

There is an urgent need for researchers, counselors, academics, and others to work together in providing an improved and empirical understanding of the impact of animal therapy. A recent review of AAT research notes that progress in developing an empirical basis for AAT has remained slow (Borrego et al., 2014). While anecdotal evidence exists, there is an overall lack of rigorous research in this area. As noted in the Department of Defense Report on Equine Therapy discussed previously, methodological problems with much of the current research include small sample sizes, lack of control groups, and lack of random sampling. Many important questions for researchers remain. For example, are the positive effects anecdotally attributed to animal therapy due to the animal, the handler, or the increased attention the client receives? There is also a potential bias from researchers who are animal lovers and already convinced of the benefits. Furthermore, there is a lack of research regarding the impact of the AAT on the animals themselves. There is potential for AAT to significantly contribute to human health and wellness, but more research is necessary to determine the efficacy and effectiveness of this therapy.

Conclusion

Alternative forms of healthcare and wellness are on the rise in the U.S., and animal-related services and therapies are a major part of this movement. This article identifies several tax benefits available to users and providers of animal therapy as well as users of service animals. The information herein applies to clients and counselors, whether engaging in animal therapy as a volunteer or as part of a professional practice. The analysis here should help counselors, clients, and service dog users comply with the tax law, enjoy certain tax benefits, and may also encourage mental health professionals to investigate the use of AAT in their professional practices and to engage in future animal therapy research.¹¹

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Footnotes

¹ The authors of this article have published an article on this topic that is targeted to tax professionals titled, “Until There’s a Cure, There’s A Dog: Tax Issues for Therapy Animals”, *Practical Tax Strategies*, October 2016, Volume 97, Number 4. Counselors or their tax advisers may want to refer to this article for a detailed discussion of the many tax rules.

²A detailed review of the animal assisted therapy research in a counseling setting is beyond the scope of this paper, although some useful resources for this information are provided.

³A dog that is certified by the National Service Animal Registry (NSAR) or the Assistance Dogs of America Registry will be provided with documentation to notify businesses that the dog qualifies as a service dog. While there are benefits to registering at these or other online registries, it should be noted that registration is not required in order to qualify as a service dog.

⁴Examples include, Therapy Dogs International TDI test, American Kennel Club’s Canine Good Citizen test; Pet Partners evaluation.

⁵A useful resource for peer-reviewed summaries of applications and issues within the field of human-animal interaction is HABRI Central (www.habricentral.org), the online hub for scholarly information related to the study of human-animal interaction.

⁶Columbia University is currently conducting a study into equine therapy with veterans and hopes to have the report by the end of the year.

⁷For example see Dogs for Dignity, www.Pawswithacause.org

⁸Our tax law allows a business to operate according to several different business entity structures including sole proprietorships, partnerships (including Limited Liability Companies and Professional Limited Liability Companies), corporations, and S corporations. Because the therapist's professional practice could be in one of these different entity structures, or the therapist may be an employee of a business, the actual person entitled to the tax deductions discussed may vary.

⁹For a brief discussion of these accounts, see the article referenced in Footnote 1.

¹⁰Resources available for professionals seeking information on AAT include International Association of Human Animal Intervention Organizations, IAHAIO White Paper: The IAHAIO Definitions for Animal Assisted Intervention and Animal Assisted Activity and Guidelines for Wellness of Animals

¹¹Useful websites for more information include: American Humane Association- <http://www.americanhumane.org/interaction/programs/animal-assisted-therapy/>; American Society for the Prevention of Cruelty to Animals- <http://www.asPCA.org/nyc/aspca-animal-assisted-therapy-programs> and Pet Partners- <https://petpartners.org/learn/aat-professionals>.