



Business deductions for four-legged coworkers

Did you know that you can claim tax deductions for animals that serve a bona fide business purpose? This benefit extends beyond agricultural operations. Working animals in many sectors may qualify. Here are the details.

Working animals vs. personal pets

A working animal must provide a clear and direct business benefit. Common examples include:

- Dogs used to deter theft, vandalism or unauthorized entry at a business location,
- Cats used to control rodents that could damage inventory, equipment or facilities, and
- Animals used in agricultural operations.

In these cases, the animal's presence directly supports business operations, making related expenses potentially deductible.

However, it's important to distinguish bona fide working animals from those that provide personal companionship or emotional support. If an animal is a part-time worker and part-time pet, you can deduct only the percentage of expenses that correspond to the animal's working time. For instance, if a dog spends approximately

60% of its time guarding a warehouse and 40% as a pet, only 60% of eligible expenses would typically be deductible.

The IRS will likely deny deductions for an animal that's clearly primarily a household pet. Likewise, service animals for owners or employees aren't eligible for business deductions.

Deductible expenses

Many costs associated with the care of a working animal may be deductible as ordinary and necessary business expenses. These include costs for raising, feeding, caring for, training and managing animals used in a trade or business. Examples include:

- Food and treats,
- Veterinary care and medications,
- Grooming necessary for the animal's role,
- Training costs related to the animal's work function, and
- Supplies such as leashes, collars, bedding and shelter.

The deduction applies only to reasonable expenses connected to the animal's business use. Luxury or purely personal costs may draw IRS scrutiny.

It's important to note that different tax rules apply to farmers, ranchers and professional breeders. In general, farmers may deduct feed, veterinary care and other costs directly associated with the business use of animals. The costs associated with animals used for draft, breeding, sport or dairy purposes are typically capitalized and depreciated, rather than immediately deducted, unless they're included in inventory.

Recordkeeping requirements

Proper documentation is key to supporting deductions for working animals. You'll need to maintain records to demonstrate that the animal performs a legitimate business function, the expenses are ordinary and necessary for your industry, and any allocation between business and personal use is reasonable. Contact us to discuss your situation and assess your eligibility.