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Here's the Tax Beat broadcast for December 31

Subject Line: Fetch is Not Going to Happen

This time of year, most tax pros are gearing up for yet another season preparing returns. But it looks like Tax Season 2026 might come with a new kind of tail-wagging drama. A New York attorney named Amanda Reynolds has taken a big bite out of the Internal Revenue Service, asking a federal court to let her claim her eight-year-old golden retriever, Finnegan, as a dependent on her taxes. Reynolds' lawsuit says Finnegan is "entirely dependent" on her for food, shelter, vet bills, grooming, daycare, transportation, and basically every chew toy imaginable, racking up more than \$5,000 a year.

We have no doubt that Finnegan is a Very Good Girl. Unfortunately, under current IRS rules, she's still just a dog. And the IRS classifies pets as property, no matter how many times they lick your face or sit in on your Zoom calls. That means the only bone you can throw their way is the occasional medical expense deduction for a service animal.

But Reynolds argues Finnegan checks most of the dependency boxes under Section 152 of the Internal Revenue Code. Finnegan has no independent income of her own. She lived with Reynolds all year. And she receives more than half of her support from her owner. The *only* missing ingredient, in her eyes, is being born a human.

At first glance, you might wonder why Reynolds is bothering. The Tax Cuts and Jobs Act of 2017 eliminated the old personal exemptions she might have gotten if she wins her case. However, if Reynolds is single, claiming Finnegan as a dependent would give her a bigger standard deduction and let her file with friendlier head-of-household rates.

The lawsuit goes on to argue that "the evolving understanding of animal legal status, coupled with state and federal regulation of animals as regulated entities, justifies the recognition of dogs as quasi-citizens entitled to limited civil recognition, including dependency status for tax purposes." It even points out the distinction between service animals and regular pets doesn't make fiscal sense when both cost plenty of kibble and vet visits.

From a tax pro's perspective, this whole case is like training a beagle to do taxes: cute in theory, messy in execution, and destined to chew up your socks. Even if the court were to *wink* at the idea of canine dependents, practical hurdles lurk. Dogs don't have Social Security numbers, so Dependent Care credits and other benefits that depend on SSNs would still be off the leash. (Would pet insurance be deductible? Would frisbees become an eligible HSA expense?) You'd certainly need a kennel of new IRS forms for Finnegan and friends. Talk about barking up a complex regulatory tree!

For now, the IRS hasn't officially wagged back at the lawsuit. And as you might expect, insiders describe it as a long shot. A judge has already hinted that dogs just aren't people for tax purposes and that this dispute might be more bark than bite. Unless Congress decides to amend the Code to extend dependency status to pets (and good luck with that), clients should plan on treating pets as beloved non-deductible family members, not future exemptions.

If this story has you wondering whether Rover, Bella, or Captain Snuggles qualifies as your most expensive dependent, give us a call before you try to slip a paw print onto your tax return. We're happy to help you separate legitimate deductions from ideas that belong in the doghouse. Whether it's pets, kids, parents, side hustles, or something that sounds clever after too many treats, we'll help you figure out what actually flies with the IRS and what's likely to get you chased by the audit mailman. Call us anytime with questions. We promise not to bite.

Kevin

