Rhiannon G. O'Donnabhain v. Commissioner of Internal Revenue, 134 T. C. No. 4 (2010)

In a landmark case, the U. S. Tax Court ruled that a transgender individual's expenses for hormone therapy and sex reassignment surgery to treat Gender Identity Disorder (GID) are deductible as medical expenses under IRS Section 213. The decision, which recognizes GID as a disease, highlights the evolving understanding of mental health conditions and their treatments, setting a precedent for tax deductions related to transgender healthcare.

Parties

Rhiannon G. O'Donnabhain, the petitioner, was a transgender woman who underwent hormone therapy and sex reassignment surgery to address her GID. The Commissioner of Internal Revenue, the respondent, challenged the deduction of these expenses as medical care under Section 213 of the Internal Revenue Code.

Facts

Rhiannon O'Donnabhain was born a genetic male but identified as female from a young age. Diagnosed with GID in 1997, she underwent hormone therapy starting that year and sex reassignment surgery in 2001. These treatments were prescribed in accordance with the Harry Benjamin International Gender Dysphoria Association's Standards of Care, which outline a triadic treatment sequence for GID. O'Donnabhain claimed a medical expense deduction for these procedures on her 2001 federal income tax return, which the IRS disallowed.

Procedural History

O'Donnabhain filed a petition with the U. S. Tax Court to contest the IRS's disallowance of her medical expense deduction. The Tax Court reviewed the case de novo, considering both parties' arguments and expert testimonies regarding the nature of GID and the efficacy of its treatments. The standard of review applied was whether the court could find that O'Donnabhain's GID qualified as a disease under Section 213 and whether the treatments constituted medical care.

Issue(s)

Whether the expenses for hormone therapy and sex reassignment surgery, undertaken to treat Gender Identity Disorder, qualify as deductible medical care under Section 213 of the Internal Revenue Code?

Rule(s) of Law

Section 213 of the Internal Revenue Code allows deductions for expenses paid for the diagnosis, cure, mitigation, treatment, or prevention of disease, or for affecting any structure or function of the body. However, Section 213(d)(9) excludes cosmetic

© 2025 SCOTUSreports.com. All rights reserved.

surgery from deductible medical care unless it is necessary to ameliorate a deformity arising from a congenital abnormality, personal injury, or disfiguring disease. “Cosmetic surgery” is defined as any procedure directed at improving the patient’s appearance that does not meaningfully promote the proper function of the body or prevent or treat illness or disease.

Holding

The Tax Court held that Gender Identity Disorder is a disease within the meaning of Section 213, and that O’Donnabhain’s hormone therapy and sex reassignment surgery were treatments for her GID. Consequently, these expenses qualified as deductible medical care. However, the court disallowed the deduction for O’Donnabhain’s breast augmentation surgery, as it was deemed cosmetic and not necessary for the treatment of GID under the Benjamin standards.

Reasoning

The court’s reasoning was multifaceted. First, it relied on the DSM-IV-TR’s recognition of GID as a mental disorder, which is widely accepted in the psychiatric community. The court rejected the IRS’s argument that GID is not a disease because it lacks an organic origin, citing precedent that mental disorders are treated as diseases under Section 213 without regard to their etiology. The court found that GID causes significant distress and impairment, warranting its classification as a disease. Second, the court determined that hormone therapy and sex reassignment surgery are recognized treatments for GID under the Benjamin standards, which are endorsed by numerous psychiatric and medical reference texts. The court noted that these treatments aim to alleviate the distress associated with GID, thus qualifying as “treatment” under Section 213. The court also considered the legislative history and regulatory interpretations of Section 213, which support a broad definition of medical care that includes treatments for mental disorders. The court’s analysis included a review of expert testimonies, which largely supported the medical necessity and efficacy of these treatments for GID. The court dismissed arguments that these treatments are merely cosmetic, emphasizing that they are directed at treating a recognized disease rather than solely improving appearance. The court also addressed the IRS’s contention that the treatments were not medically necessary, finding that the majority of experts and medical literature supported their necessity for severe cases of GID.

Disposition

The Tax Court ruled in favor of O’Donnabhain, allowing the deduction of expenses for hormone therapy and sex reassignment surgery as medical care under Section 213. The court disallowed the deduction for breast augmentation surgery, finding it to be cosmetic under Section 213(d)(9).

Significance/Impact

© 2025 SCOTUSreports.com. All rights reserved.

This decision is significant for its recognition of GID as a disease and its treatments as deductible medical care, setting a precedent for transgender healthcare under tax law. It reflects evolving medical and societal understanding of transgender issues and may influence future interpretations of what constitutes a disease and medical care under Section 213. The ruling has potential implications for insurance coverage and public policy regarding transgender healthcare. Subsequent cases and IRS guidance may further clarify the scope of deductible transgender healthcare expenses.

© 2025 SCOTUSreports.com. All rights reserved.