

COVID-19 Bulletin # 3

2020 Taxes: Working from Home Tax Deductions

NUFA would like to thank Jesse Davis, one of our CASBU Members, for his assistance in creating this bulletin.

We've had a lot of questions from members about claiming home office expenses for the 2020 tax year, and we'll do our best to answer them here. Keep in mind that everyone's tax situation is unique, and the advice here is intended to be general. It is no substitute for talking to a tax professional.

In regular years, the government allows people who are required to work from home to deduct some of their expenses from their income. (Note: this means that the deduction will be from your taxable income, reducing your liability; it is **not** deducted off the amount of taxes owing!) This normally requires your employer to sign off on a form called the T2200 to prove that you were required to work from home. Given the circumstances of the pandemic, the government has offered two alternative solutions for the 2020 tax year.

First, we have a flat rate method, which allows you to deduct \$2 per day for up to 200 days (\$400 max deduction). To claim this, you must have 1) worked from home in 2020 because of the pandemic, 2) worked from home for more than 50% of the time for at least four consecutive weeks), 3) claim home office expenses and no other employment expenses, and 4) were not reimbursed by your employer for all of your home office expenses.

The benefit of this method is that you do not have to get anything signed by the university, and you will not be required to supply receipts for any of your expenses. To take advantage of this method, you would file a T777S with your taxes.

Alternately, there is a T2200S form, which is a simplified version of the regular T2200. This must be signed by your employer, who will verify that you had to work at home in 2020 because of the pandemic. You will need to provide details of all your employment related expenses, including rent, heat, hydro, phone/internet, water, home maintenance, and office supplies, and calculate the size of your workspace relatively to the rest of your home. The deduction is based on a pro-rating of these expenses relative to the portion of your home used for the office. You would also file a T777S with your taxes, and you would keep your T2200S and any related receipts on hand at home in case you are audited.

The question we've heard most frequently from our Members is, "Which method is better?" Unsurprisingly, the answer is, "It depends." For many people, the simplified deduction will be higher (as well as being less work). However, if you rent your home, the deduction may be better under the detailed method, since the CRA allows you to include rent payments in the calculation. (Home owners are out of luck here, as mortgage principal, mortgage interest payments, home insurance, and property taxes are not eligible.) Fortunately, the CRA has a calculator available on their website for the detailed method that allows you to input your information and see what the more detailed deduction would work out to be.

Once you've had a chance to examine the more detailed deduction via the calculator, you can make a decision about which method is better for you. If you decide to go with the detailed deduction, you can request a T2200S from the university via HR. Please feel free to reach out to NUFA if you encounter any difficulties with this.