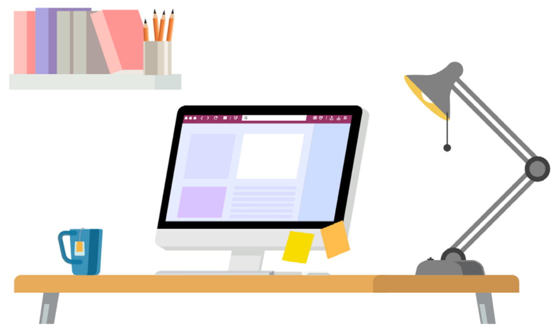
Can you claim home office tax deductions during COVID-19?

It may be possible to write off some home office expenses, but you'll need your employer's help.



If you are among the [3.4 million Canadian employees] who started working from home during the COVID-19 economic shutdown, you may be wondering if you can take advantage of more deductions when you file your 2020 tax return.

Well, good news—the government is allowing anyone has worked from home for a certain period of time during the pandemic to easily claim up to $400 to cover some of their home office expenses.

In a typical year, to be eligible to write off home offices expenses, you'd either have to work from home at least half the time (i.e., six months of the year), or generate regular income through in-person client meetings conducted from your home.

During the pandemic, however, you just have to have worked out of your home for more than 50% of the time for four consecutive weeks. If you've done that, you can claim $2 per day up to a maximum 200 days on your taxes. That's per individual, which means that anyone in your home who's eligible for that tax break can get it.

Sort the paperwork

If you want to apply for the flat $2 a day rate, you'll have to fill out Option 1 on the new T777S tax form. Going this route will negate you from claiming any other home office expenses.

If you do want to deduct more home office expenses from your income, you'll have to do what at-home workers have done in the past: have your employer fill out Form T2200 (or now, that's Form T2200-s, Declaration of Conditions of Employment for Working at Home During COVID-19). In the form, which has recently been simplified, your employer outlines which expenses it will **not** be reimbursing you for that are required for your work.

If you're not sure whether to claim the $400, or ask your workplace to fill out the more detailed form, then use this calculator from CRA to help you decide.

Those who do choose to deduct the additional expenses, though, should keep their receipts and be aware of what they can claim. Here's a rundown of the home office expenses employees can claim when specified as a mandatory expense in an employer-signed

T2200-s, and we detail some of those expenses below.

It's also a good idea to talk to an accountant before claiming any expenses to ensure you are following CRA regulations.

Office supplies

This includes paper, pens, ink, Post-its, stamps, or any other consumable item that you paid for out of pocket and is required to perform your work. Unfortunately, capital expenses such as furniture or computers, are not allowable deductions for employees. Find out if your employer might instead reimburse you for such expenses.

Phone

If you pay per minute for long-distance charges on your phone plan, you can deduct these expenses for any business calls made. If your plan is a flat monthly fee, however, and you use the phone for both personal and business purposes, you can only claim a portion of the bill. How large a portion depends on your usage habits—if 75% of the calls you make or receive are personal, then you can only claim 25% of the bill. (Same goes for data plan use.)

Utilities, rent, home maintenance, etc.

If you have a separate room in your home that you use exclusively for work purposes, you can deduct a portion of your monthly heat and electricity bills, rent, cleaning supplies, or other home maintenance expenses.

To figure out the percentage you can deduct, measure the dimensions of the room to calculate its square footage, then divide it by the square footage of your home and multiply by 100. So, for instance, if you've got a 100 sq. ft. workspace in a 1,000 sq. ft. home, you can deduct 10% of the expense totals. If you use the room for both personal and business purposes, you must adjust the percentage accordingly. (In our example, if you used the room 50-50 business/personal, you'd deduct 5%—or half of 10%). Note that mortgage payments and interest are not deductible, and home insurance and property taxes are only allowed as deductions for employees working from home who are paid on commission.

Be conservative with your estimates

It's a good idea to be conservative with your deductions—claim too much and the CRA may get curious. What people can claim and how much they can deduct is often open to interpretation, which makes it easy to get carried away, but it also means the CRA can easily say that something is not eligible for a deduction. Talk to an accountant before claiming anything. As well, you'll want to stay up-to-date on any COVID-19-related T2200 tax updates or changes, which you can do by keeping an eye on the CRA's website.

Bottom line: if you've been working from home, start gathering your receipts and contact your employer's human resources department and ask if you qualify for a T2200 (or might qualify for the new Form T2200-s, if it's approved). Keep your eye on any rule changes, too. If you're not sure which expenses you should be tracking, ask your accountant or tax preparer. When tax season rolls around, you'll be glad that you did.