

MEMO

DATE: January 15, 2021

TO: Algonquin College Employees

FROM: James Pede, Manager, Operational Accounting

SUBJECT: 2020 Tax Year – Work from Home Expenses

With the transition to working from home as a result of the COVID-19 pandemic, many questions have been raised regarding eligibility for home office deductions that employees may be able to claim on their 2020 tax return and whether Algonquin College will be issuing T2200S – Declaration of Conditions of Employment for Working at Home Due to COVID-19 (T2200S-CRA) – forms.

The College will not be issuing T2200 forms for 2020, as no employees are currently eligible for this form under the current Terms and Condition of employment with Algonquin College, however the Canada Revenue Agency has announced a temporary solution that Algonquin College employees can use.

The Canada Revenue Agency (CRA) recently announced a temporary simplified method that will allow employees who worked at home due to COVID-19 more than 50 percent of the time, which included at least four consecutive weeks during the pandemic, to claim an amount of \$2 per working day (up to a maximum deduction of \$400). **This simplified method does not require you to obtain a T2200/T2200S form or maintain documented receipts to validate your claim.**

- Working days include any day during which an employee performs work, at their home, for the employer. There are no minimum hours attached to this, both full-time and part-time employees may count any day on which they performed work for the employer.
- Non-working days such as weekends, statutory holidays, vacation or sick days are not counted as working days.

For most employees, this simplified method will provide the maximum deduction allowed without the detailed record-keeping normally required for home office deduction claims. The following information, including Appendix A – Frequently Asked Questions, has been prepared to help employees determine which method is best suited to their individual circumstances.

[Here is an illustration for a homeowner who is required to work from home:](#)

MEMO

Sam is a homeowner who lives in a three bedroom townhome with other family members. He has worked from home continuously from March 16 to December 31, 2020.

The only space available to set up a work area was at the dining table and this space represents eight percent of the total finished area of the home.

Sam works an average of 50 hours per week so the common space is further prorated by 29.76 percent (50 hours divided by 168 hours per week) for a total claim amount of 2.38 percent ($8\% \times 50/168$).

The eligible expenses Sam has for a detailed claim are the utilities and the internet access fee which total \$3,250, 2.38 percent of this is \$77.35 ($\$3,250 \times 2.38\%$).

Sam also has invoices for office supplies he paid for, totaling \$125 which he can claim 100%.

Using a T2200S, Sam would only be able to claim \$202.35 ($\$77.35 + \125).

If Sam worked from home for 190 days (weekends, statutory holidays and vacation have been excluded) a non-accountable deduction (using the simplified method described above) of \$380 would provide a greater deduction (190 days \times \$2/day).

The next illustration provides an example for those who rent their home and are required to work from home:

Alexandra and her spouse rent a two bedroom apartment for \$2,000 per month. They have both been working from home continuously from April 1 to December 31, 2020.

Alexandra has set up her workspace in the couple's bedroom while her spouse is working from the second bedroom that is usually used as the TV room.

Alexandra's space represents 11.25 percent of the total finished area of the home and she normally works 40 hours per week, allowing her to claim 2.68 percent ($11.25\% \times 40/168$) of her share of the rent and home internet access.

Total rent and internet access fees are \$18,600. Using the T2200S method, each spouse may only allocate 50 percent or \$9,300 to their claim and, at 2.68 percent, this would limit each of their claims to \$249.24 ($\$9,300 \times 2.68\%$).

MEMO

If Alexandra has worked from home for 180 days (weekends, statutory holidays and vacation have been excluded) a non-accountable deduction (using the simplified method described above) of \$360 would provide a greater deduction (180 days x \$2/day).

If Alexandra and her spouse are eligible for similar claims that would be a household claim of \$720 using the simplified claim as compared to a detailed claim of approximately \$500.

You will be able to claim this amount on line 22900, Other Employment Expenses, of your 2020 tax return. This deduction will reduce your taxable income for the year, and will generally result in an income tax reduction. However, the amount of the reduction may be different based on your unique tax situation. We encourage Algonquin College employees to consult with a tax professional to discuss their options.

It is also important to understand the difference between a common workspace and a designated workspace, as defined by the CRA, which is an area in your home that is only used for work. An existing home office that contains your personal documents or a spare bedroom containing personal effects is not a designated workspace. Most people required to work from home as a result of COVID-19 will be considered to be using a common or shared area in their home for work purposes.

Expenses exceeding \$2 per working day

Depending on your circumstances, you may be eligible for deductions greater than what the simplified method offers. This will require you to:

- Measure and total the size of your workspace;
- Obtain the total size of all finished areas in your home (including your workspace);
- If using a common space in the home, determine average weekly working hours; and
- Collect and maintain supporting documents for all of the expenses you can claim for the period(s) you worked from home.

Only if you wish to make a detailed claim, you will require a Conditions of Employment Form. Upon request, as long as you meet the eligibility requirements (employee worked at least four consecutive weeks between March 16, 2020 and December 31, 2020), Algonquin College will issue a T2200S - Declaration of Conditions of employment for Working at Home Due to COVID-19 - form to validate your conditions of employment to allow you to make a detailed expense claim for your work at home space. To minimize processing delays for those who require this form, **we encourage you to not request a T2200S form if you will be using the simplified \$2/day method.**

MEMO

The Payroll Department will begin accepting requests to issue a T2200S form starting January 18, 2021. To request a T2200S form, please send an email from your Algonquin College email account to payroll@algonquincollege.com. T2200S forms will be issued by email to your Algonquin College email address. Please allow up to 14 calendar days for your form to be issued.

We encourage each employee to understand which method will be most beneficial for them in consultation with a tax professional before requesting a T2200S.

The next illustration shows that the incrementally greater amount that you may be able to claim using a T2200S, may not be equal to your investment of time and effort.

Walter rents a one bedroom with a small den that was used for his personal computer use and to store household items. From April 1 through December 31, 2020, he also used this space for work.

The den is considered a common space and, based on Walters working hours of 50 per week, he would be able to allocate 2 percent of his rent and internet access fee as working from home expenses.

Walter's total expenses for a detailed claim requiring a T2200S are \$20,750. Being able to allocate 2 percent of that total, Walter is able to claim \$415.00 ($\$20,750 \times 2\%$).

If Walter worked from home for 185 days the simplified calculation would result in a \$370.00 claim ($185 \text{ days} \times \$2/\text{day}$).

Although the detailed claim provides an additional amount of \$45, the additional tax savings, based on Walter's net taxable income, is only \$18 greater than the simplified method which requires no measurements or documented evidence of expenses.

Please note the T2200S form only validates the condition of employment requiring you to work from home because of the COVID-19 pandemic. It does not provide the value of your eligible deductions, as that is a personal tax matter. In the event of a CRA audit, you must be prepared to present valid proof (e.g. receipts, floorplans, rental contracts, etc.) of any deductions you have claimed. The CRA also occasionally performs in-person inspections of home office claims looking at, among other details, proof that the space is being used solely or jointly for working purposes. We encourage Algonquin College employees to consult with a tax professional to discuss their options.

MEMO

Before requesting a T2200S form we suggest you use the tools that the CRA has created to assist you in estimating a detailed work from home expense claim. As with the examples we have provided you may find the non-accountable (\$2 per day) method provides the greater deduction to you.

The following tools are available from CRA:

- A comprehensive [list](#) of eligible expenses; and
- A [calculator](#) to assist you in determining the eligible claim amount

APPENDIX A Frequently Asked Questions

1. What is considered a working day for the \$2 per day calculation?

A working day is any day the employee performed work for their employer from their home. There are no minimum hours assigned to this claim. Both full-time and part-time employees are eligible.

A working day does not include days the employee is not required to work such as weekends, statutory holidays, vacation, sick or personal days, even if some of those leaves are paid by the employer.

2. What is the impact of job-protected leaves on making a claim?

To be eligible for the simplified method, the employee must have worked from home more than 50 per cent of the time for at least four consecutive weeks in 2020.

Time off, whether paid or unpaid for a job-protected leave, is not considered work time for the purpose of determining eligibility for claiming home office deductions.

3. What if more than one family member in a household was working from home?

Each employee working from home who meets the eligibility criteria can use the simplified \$2 per day method to calculate their deduction for home office expenses.

4. What is the new T2200S form used for?

Some employees may be in a position to make a claim greater than \$2 per day that they worked from home. To make a detailed claim, such employees will require a T2200S from their employer to confirm that they were required to work from home as a result of the COVID-19 pandemic.

COMMON EXPENSES AND ELIGIBILITY (for detailed claim only)

i. Designated workspace or common (shared) workspace

It is important to understand the distinction between designated and common workspaces. To make a detailed claim for a portion of utilities and home internet access a taxpayer must first determine the size of their workspace as a percentage of the total finished space in their home. When a workspace is also a common family space or a space that is used for other personal purposes, then the percentage is further adjusted based on the average working hours in a week.

MEMO

If the employee has a designated space that is used as an office, only to earn employment income, and the total square footage of the finished space in the home is 1,500 ft² and the office is 120 ft² then 8 per cent is the amount allocated to the workspace.

However, if that same employee was using a common space in the home, such as a dining table, as their work area a further proration would be done based on the number of working hours in the week. If the employee works 50 hours per week then the 8 per cent would be further prorated by 29.76 per cent (50 working hours out of 168 hours per week) allowing 2.38 per cent as the amount allocated to the workspace.

Most employees that transitioned to working at home will be considered to be using a common shared space. This can be any area in the home that has another purpose or is a shared space for the family. This includes a home office that was already set up for personal computer use or to store and file household expenses and personal paperwork.

A designated workspace is an area that is only used to earn employment income. It would not be used for personal reasons. In most cases, only employees that already had a contract of employment requiring them to maintain a home office would have established this type of space.

ii. Utilities (heat, hydro, water)

A pro-rated portion of utility costs may be included as an eligible deduction. The amount of this is determined by calculating the percentage of the finished space in the home that the workspace represents.

See above for the definition of designated vs. common (shared) spaces to determine this percentage.

iii. Condominium residents

The monthly maintenance fee may include the costs of utilities. To claim a deduction for utilities the resident would need verification of the portion of the maintenance fee that directly relates to these expenses. A request to the condominium administrator may be required to obtain this information.

iv. Home internet access fee

The CRA has adjusted their position on home internet fees related to a work from home space. An employee may include a portion of the internet access fee in their claim.

MEMO

The amount that may be claimed as an eligible deduction will be pro-rated based on the percentage of total space the office/workspace represents. The same percentage used for utilities would apply to the internet access fee.

Any costs associated with connection fees or the purchase or lease of a modem are not eligible.

v. Use of a personal cell phone

An employee may be able to claim a deduction for the business use of a cellular phone but only under very specific circumstances.

Part of the actual airtime expenses for a cell phone that reasonably relates to earning employment income may be claimed.

An employee may also be able to deduct a portion of their basic cell phone service plan if all of the following conditions are met:

- The cost of the plan is reasonable;
- You are able to substantiate the cellular minutes or data consumed directly in the performance of your employment duties (as well as the cost of the minutes or data); and
- The cost of the plan has been apportioned between employment and personal use on a reasonable basis.

The challenge with many cellular plans is the inclusion of unlimited talk and data, which make it difficult to allocate a cost per minute to voice or data use.

vi. Office supplies

If an employee is required to purchase office supplies that will be used up while directly performing their work, they may claim any out of pocket costs.

This includes items such as paper, pens, toner cartridges, envelopes and folders.

vii. Purchase of a laptop, computer, tablet or monitor

The purchase of a computer, laptop, tablet, monitor or other electronic equipment such as a headset is not considered an eligible deduction.

viii. Purchase of a desk or office chair

The purchase of furniture, desks, chairs, lamps, filing cabinets etc., is not an eligible deduction.

MEMO

ix. Cleaning supplies

Costs for normal cleaning and upkeep can be claimed, this would include things such as cleaning products.

If purchased to be used exclusively in the home office, then 100 per cent of the cost may be claimed. If purchased for general use in the entire household then the eligible deduction would be prorated based on the percentage of total space allocated to the workspace.

x. Beverages or food

Neither the CRA nor Revenue Quebec allow for a deduction for food and beverage expenses for an employee's personal consumption in their residence.

Although an employee may have benefited from free or subsidized coffee, other beverages or food when working in the office, any expenses in their home are not eligible.