

# EMPLOYEE BRIEFING ON HOME OFFICE DEDUCTIONS TO PREVENT T2200 REQUESTS

Dispensing tax wisdom isn't just for the employees' edification. Explaining the rules just might prevent telecommuting employees from claiming home office deductions they don't qualify for. Result: You won't have to fill out the hated T2200 form. This Model Form boils down these rules and lays them out in a series of Yes/No questions that telecommuting employees can use to determine if they're entitled to a home office deduction.

## TAX BRIEFING FOR WORKERS WHO TELECOMMUTE: HOME OFFICE DEDUCTIONS

You spend money to do your job. You buy transit passes, food for lunch, clothes to wear, etc. Most of these expenses cannot be deducted, that is, subtracted from your taxable income when you file your income tax return. But some work-related expenses are deductible. One of these expenses are costs you incur to use part of your home as space to perform duties associated with the job.

As your employer, we must fill out a form without which you can't claim the "home office" deduction. This form is called a T2200. **Our filling out a T2200 doesn't guarantee that you'll get the deduction.** The CRA will deny your claim unless you meet strict requirements. The purpose of this Notice is to explain the deductibility of home office costs so that you won't submit claims for deductions that will be denied.

**We ask that for your own sake and that of the company that you please refrain from asking us to complete a T2200 for home office deductions unless and until you complete the questionnaire below to confirm that you're entitled to the deduction.**

## THE HOME OFFICE DEDUCTION

If you set aside a portion of your home for use as work space, you may be able to deduct some of the costs related to the space from your taxable income. Use this questionnaire to determine if you're entitled to such a deduction:

**1. DOES YOUR EMPLOYMENT CONTRACT SAY THAT YOU MUST SET ASIDE PART OF YOUR HOME FOR OFFICE SPACE AND PAY THE EXPENSES ASSOCIATED WITH THAT SPACE OUT OF YOUR OWN POCKET?**

YES

NO

**Instructions:** If you answer no, you are not entitled to the deduction unless you can prove the existence of these requirements without a written employment contract. You

should not ask us to complete a T2200 for the deduction. If you answer yes, go to Question 2.

## 2. IS THE SPACE PART OF YOUR HOME?

YES

NO

**Instructions:** Answer yes if the space is located in a house, apartment or similar building where you sleep and eat. Keep in mind that vehicles don't qualify for home office deductions. If you answer no, you're not entitled to the deduction. If you answer yes, go to Question 3.

## 3A. DID YOU USE THE SPACE AS THE PLACE WHERE YOU PRINCIPALLY (MORE THAN 50% OF THE TIME) PERFORMED YOUR OFFICE OR EMPLOYMENT DUTIES?

YES

NO

**Instructions:** Spending one day a week or an occasional weeknight or weekend day working from a home office isn't enough. You must spend a significant amount of time in the space. If you answer yes, go to Question 4. If you answer no, go to Question 3B.

## 3B. DID YOU USE THE SPACE EXCLUSIVELY AND ON A REGULAR AND CONTINUING BASIS, FOR MEETING CUSTOMERS OR OTHER PERSONS IN THE ORDINARY COURSE OF PERFORMING YOUR OFFICE OR EMPLOYMENT DUTIES?

YES

NO

**Instructions:** If you answer no, you're not entitled to the deduction. If you answered yes, go to Question 4.

## 4. ARE THE COSTS YOU'RE CLAIMING ALLOWED BY THE DEDUCTION?

YES

NO

**Instructions:** Answer yes if you incurred the following costs:

a. Costs to maintain the space including for fuel, electricity, light bulbs, cleaning materials; and/or

b. Rent (if you're actually renting the home).

(**Caution:** Remember that when you fill out your personal tax return you must claim only the proportion of the expense that is attributable to the space (either in area or proportion of time you spend in the space.))

Answer no if the expenses are for none of the above. If the answer is no, you're not entitled to the deduction. If you answer yes, go to Question 5.

**5. IS THE AMOUNT OF DEDUCTION YOU'RE CLAIMING LESS THAN OR EQUAL TO THE TOTAL INCOME YOU'VE EARNED FROM THE JOB IN THE TAX YEAR?**

- YES
- NO

**Instructions:** You can't claim any part of the deduction if it would create or add to a loss from the office or employment in the tax year. So if you made \$10,000 in income from the job for the year, the most you can claim as a home office deduction that year would be \$10,000. And if you incurred expenses of \$11,000 for the space? You'd have to carry \$1,000 of the expenses forward to the next tax year.

## WHAT NEXT?

Now that you've come to this point in the Questionnaire, 1 of 3 things are true:

**i. You Answered Yes to All 5 Questions:** You might be entitled to a home office deduction and should ask us to complete a T2200 so you can claim one on your tax return.

**ii. You Answered No to Question 5 and Yes to Questions 1 thru 4:** You may be entitled to a deduction for the costs associated with the home office up to the amount of income you earned from the employment for the tax year and should ask us to complete a T2200 so you can claim the deduction on your tax return.

**iii. You Answered No to Any of Questions 1 thru 4:** You are not entitled to a home office deduction and should not ask us to complete a T2200.