

CITGO Petroleum Corporation
TAX INFORMATION
FLEXIBLE SPENDING ACCOUNTS

HEALTH SAVINGS ACCOUNTS

CITGO personnel have the opportunity to participate in either the Flexible Spending Account (FSA) or the Health Savings Account (HSA) depending on the insurance plan selected.

The FSA has an annual limit of \$2,650 for eligible expenditures. The average CITGO employee is in the 22% tax bracket and would save approximately 29.65 cents for every dollar contributed to the FSA including Social Security and Medicare taxes.

For the HSA, there is an annual limit of \$3,500 for self only eligible expenditures and \$7,000 for family eligible expenditures for 2019. If you are over the age of 55, you may make an additional “catch-up” contribution of \$1,000 (raising the limits to \$4,500 for self only or \$8,000 per family). Any amounts not withdrawn may be rolled forward from year to year and may even be invested. Under current rules, at the age of 65, any amounts remaining in the account may be withdrawn without tax for eligible medical expenses or any other expenses.

The average CITGO employee is in the 22% tax bracket and would save approximately 29.65 cents for every dollar contributed to the HSA including Social Security and Medicare taxes.

DEPENDENT CARE

CITGO personnel with Dependent Children (those persons under 13 years of age when the care was provided) or Adult Dependents (those persons not physically or mentally capable of caring for themselves and who lived with you for more than ½ of the year) are eligible for either the:

- 1) Dependent Day Care Spending Account; or
- 2) Dependent Day Care Tax Credit

The Dependent Day Care Spending Account has an annual limit of \$5,000. In general, the average CITGO employee is in the 22% tax bracket and would save 29.65 cents for every dollar contributed to the Dependent Day Care FSA including Social Security and Medicare taxes.

The Dependent Day Care Tax Credit has a limit of 20% of qualifying costs up to \$3,000 for one dependent or \$6,000 for more than one dependent for those families with Adjusted Gross Income (“AGI”) of \$43,000 or greater.

In general, the Dependent Day Care Spending Account yields more favorable tax savings for households with AGI of \$43,000 or greater. However, you may use the tax worksheets on the following pages to determine which may be best for you.

ESTIMATED TAX SAVINGS CHARTS

The following tax tables can be used as a basis for estimating your own tax savings through the Health Care and Dependent Day Care Spending Accounts. To find your tax rate, look at the taxable income under the heading which describes the different tax filing classes. For example, if you are a single individual and your annual “taxable income” is \$35,000 you pay 10% on the first \$9,700 of your income and 12% on the remaining \$25,300. You can project your “taxable income” by taking into account your wages, income from other sources and deductions. Using your W-4 (withholding form) may be helpful.

2019 (Estimated) Federal Income Tax Rates

SINGLE TAXPAYERS

If taxable income is:		The tax is:	
Over -	but not over -		of the amount over -
\$ 0	\$ 9,700	\$ 0 + 10%	\$ 0
9,700	39,475	970 + 12%	9,700
39,475	84,200	4,543 + 22%	39,475
84,200	160,725	14,383 + 24%	84,200
160,725	204,100	32,749 + 32%	160,725
204,100	510,300	46,629 + 35%	204,100
510,300	-----	153,799 + 37%	510,300

MARRIED FILING JOINT RETURNS

If taxable income is:		The tax is:	
Over -	but not over -		of the amount over -
\$ 0	\$ 19,400	\$ 0 + 10%	\$ 0
19,400	78,950	1,940 + 12%	19,400
78,950	168,400	9,086 + 22%	78,950
168,400	321,450	28,765 + 24%	168,400
321,450	408,200	65,497 + 32%	321,450
408,200	611,600	93,257 + 35%	408,200
611,600	-----	164,447 + 37%	611,600

HEAD OF HOUSEHOLD

If taxable income is:		The tax is:	
Over -	but not over -		of the amount over -
\$ 0	\$ 13,850	\$ 0 + 10%	\$ 0
13,850	52,850	1,385 + 12%	13,850
52,850	84,200	6,065 + 22%	52,850
84,200	160,700	12,962 + 24%	84,200

160,700	204,100	31,322	+ 32%	160,700
204,100	510,300	45,210	+ 35%	204,100
510,300	-----	152,380	+ 37%	510,300

Your participation in tax-free programs could lower your tax bracket. If so, your tax savings may be less than the examples used indicate. This is more likely to happen if your taxable income is near one of the dollar amounts in the table where the tax rate changes.

2019 SOCIAL SECURITY TAX RATE

Your pay, up to the Social Security wage base, is subject to 7.65% Social Security tax. The wage base is estimated to be \$132,900 for 2019. In addition, the Medicare Hospital Insurance (H.I.) tax, which is part of the 7.65%, continues beyond the Social Security wage base. The rate is 1.45% and all pay is subject to the H.I. portion of the Social Security tax. There is also an additional 0.9% H.I. tax on individuals with income over \$200,000 (individual) or \$250,000 (married filing joint). The additional 0.9% tax is applicable to wages exceeding the \$200,000 or \$250,000 threshold.

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Health Care Spending Account Budget Worksheet

Use this sheet as a guide in determining your anticipated expenses. Check your Medical, Dental and Vision Summary Plan Description to see if these expenses are covered and to what extent.

<u>Expense Item</u>	<u>Cost Estimate</u>
• Medical and dental plan deductibles	\$ _____
• Medical & dental plan co-payments and co-insurance	\$ _____
• Prescription drug co-payments and co-insurance	\$ _____
• Over-the-counter medical devices/supplies and insulin	\$ _____
• Routine physicals	\$ _____
• Well-baby care	\$ _____
• Chiropractor	\$ _____
• Eye examinations	\$ _____
• Eyeglasses or contact lenses	\$ _____
• Hearing aids	\$ _____
• Hearing examinations	\$ _____

- Any eligible medical/dental/vision expense in excess of the Plan's limitations or maximums such as:

• dental care	\$ _____
• orthodontia *	\$ _____
• mental and nervous	\$ _____
• substance abuse	\$ _____
• home health care	\$ _____
• skilled nursing	\$ _____
Total:	\$ _____

- **PLEASE CONTACT THE BENEFITS DEPARTMENT FOR DETAILS ON REIMBURSEMENT OF ORTHODONTIC EXPENSES.**

Be careful to set aside money into the spending account only for expenses you are reasonably certain you will incur. Careful estimating is important because you will forfeit money left in your account.

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Dependent Day Care Spending Account Budget Worksheet

Type of Expense	Your Cost
Nursery school or licensed day care center for your child(ren)	\$ _____
Individual care for your child(ren) inside or outside your home	\$ _____
Centers which provide day care for adult dependents (such as elderly parents who are dependent on you for financial support). Not including residential care	\$ _____
Individual care for your adult dependent inside or outside your home	\$ _____
Summer day camp (not overnight)	\$ _____
Before school and after school care	\$ _____
Other	\$ _____
Total: (not to exceed \$5,000)	\$ _____

Remember to consider times when your dependent will not require day care (such as holidays and vacations) so you do not set aside too much money.

2019 (Estimated) Dependent Day Care Tax Credit

<u>IF Adjusted Gross Income* is:</u>	<u>Tax Credit</u>
Over:	
\$ 0	35%
15,000	34%
17,000	33%
19,000	32%
21,000	31%
23,000	30%
25,000	29%
27,000	28%
29,000	27%
31,000	26%
33,000	25%
35,000	24%
37,000	23%
39,000	22%
41,000	21%
43,000	20%
But Not Over:	
\$15,000	
17,000	
19,000	
21,000	
23,000	
25,000	
27,000	
29,000	
31,000	
33,000	
35,000	
37,000	
39,000	
41,000	
43,000	
No limit	

* Adjusted gross income is total income from all sources (wages, interest, dividends, etc.). It is not the same as taxable income (that subtracts exemptions and deductions) used on the tax rate chart.

Tax Savings Worksheet

Determine your estimated tax rate on your annual income and filing status as described on the first page entitled "Tax Information." Multiply your tax percentage by your expenses.

Your Tax Rates:

Federal: _____ %

(+) Social Security.... **6.20** % (or 0% on income in excess of \$132,900)

(+) Medicare **1.45** % (2.35 % for wages over \$200,000 individual or \$250,000 joint)

Total: _____ (X) \$ _____ Estimated Dependent Day Care Expenses (not to exceed \$5,000)

(=) **Total Estimated Tax Savings:** \$ (A) (from Spending Accounts)

To determine whether the Spending Account or Tax Credit is better for you compare the calculation below to the Spending Account Tax Savings **(Box A to B)**

Your Tax Credit % based on Adjusted Gross Income (see previous chart): _____ %

Dependent Day Care Expenses (listed above): (X) \$ _____
(only include expenses up to \$3,000 for one dependent, or expenses up to \$6,000 for more than one dependent)

(=) **Total Federal Tax Credit Savings:** \$ (B)