

CITGO Petroleum Corporation
BENEFITS ENROLLMENT
TAX INFORMATION

FLEXIBLE SPENDING AND 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 \$2,700 for eligible expenditures. The average CITGO employee in the 22% marginal tax bracket (or 17% effective tax) would save approximately 24.7 cents for every dollar contributed including Social Security and Medicare taxes.

For the HSA, the 2020 annual eligible expenditure limits are \$3,550 (self) and \$7,100 (family). If over the age of 55, a total additional “catch-up” contribution of \$1,000 is permitted, raising the limits to \$3,550 (self) and \$8,100 (family). Any amounts not withdrawn may be rolled forward from year-to-year and may even be invested. Under current rules, withdrawals made for eligible medical expenses are tax and penalty free at any time; however, after the age of 65, any amounts remaining in the account may be withdrawn without tax or penalty for eligible medical expenses AND without penalty for any other expenses.

Withdrawals made after the age of 65 for any other expense are subject to the ordinary income tax rate at that time. The average CITGO employee in the 22% marginal tax bracket (or 17% effective tax) would save approximately 24.7 cents for every dollar contributed 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 Other Qualifying Individuals (those persons, regardless of age, who are not physically or mentally capable of caring for themselves and who lived with you for more than half 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. The average CITGO employee in the 22% marginal tax bracket (or 17% effective tax) would save approximately 24.7 cents for every dollar contributed including Social Security and Medicare taxes.

The Dependent Day Care Tax Credit has a maximum allowable rate limit of 35% of qualifying costs up to \$3,000 for one dependent or \$6,000 for more than one dependent. This allowable rate limit is decreased to 20% for those families with an Adjusted Gross Income (“AGI”) higher than \$43,000.

As such, the Dependent Day Care Spending Account will likely yield a more favorable tax savings for the average CITGO employee. Use the tax worksheets on the following pages to determine which may be best for you.

ESTIMATED TAX 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 compute your taxes due, look at the taxable

income under the heading which describes your tax filing class. For example, if you are a single individual and your annual “taxable income” is \$35,000 you would use the table “Single Taxpayers” pay 10% on the first \$9,875 of your income and 12% on the remaining \$25,125. 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.

2020 Federal Income Tax Due

SINGLE TAXPAYERS

If taxable income is:		The tax is:	of the amount over -
Over -	but not over -		
\$ 0	\$ 9,875	\$ 0 + 10%	\$ 0
9,875	40,100	988 + 12%	9,875
40,100	85,525	4,615 + 22%	40,100
85,525	163,300	14,608 + 24%	85,525
163,300	207,350	33,274 + 32%	163,300
207,350	518,400	47,370 + 35%	207,350
518,400	-----	156,238 + 37%	518,400

MARRIED FILING JOINT RETURNS

If taxable income is:		The tax is:	of the amount over -
Over -	but not over -		
\$ 0	\$ 19,750	\$ 0 + 10%	\$ 0
19,750	80,200	1,975 + 12%	19,750
80,200	171,050	9,229 + 22%	80,200
171,050	326,600	29,216 + 24%	171,050
326,600	414,700	66,548 + 32%	326,600
414,700	622,050	94,740 + 35%	414,700
622,050	-----	167,313 + 37%	622,050

HEAD OF HOUSEHOLD

If taxable income is:		The tax is:	of the amount over -
Over -	but not over -		
\$ 0	\$ 14,100	\$ 0 + 10%	\$ 0
14,100	53,700	1,410 + 12%	14,100
53,700	85,500	6,162 + 22%	53,700
85,500	163,300	13,158 + 24%	85,500
163,300	207,350	31,830 + 32%	163,300
207,350	518,400	45,926 + 35%	207,350
518,400	-----	154,794 + 37%	518,400

Your participation in tax minimizing programs may lower your tax bracket. If so, your tax savings may be less than the examples indicate. This is most likely to happen when your taxable income is at the lower end of the income ranges outlined above.

2020 SOCIAL SECURITY AND MEDICARE TAX RATE

Your wages, up to a maximum of \$137,700, are subject to a combined 7.65% tax (6.2% Social Security tax and 1.45% Medicare tax). In addition, wages above that threshold remain subject to the 1.45% Medicare. The Medicare rate increases by 0.9% to 2.35% for all wages exceeding \$200,000 (individual) or \$250,000 (married filing jointly).

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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.**

Set aside money into the Flexible Spending Account (FSA) only for expenses you are reasonably certain you will incur as unused funds are forfeited.

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Dependent Day Care Spending Account Budget Worksheet

Type of Expense	Your Costs
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 (not residential) care for adult dependents (e.g. parents dependent on you for financial support)	\$ _____
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 eligible dependent may not require care (such as holidays and vacations) so that you do not set aside too much money.

2020 Dependent Day Care Tax Credit

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

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

Dependent Day Care Tax Savings Worksheet

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**)

Spending Account Savings

- 1. Federal Tax Rate - Determine your federal tax due based on your anticipated annual income and filing status as described as "Estimated Tax Chart". \$ _____
- 2. Add Social Security/Medicare Tax - Wages up to \$137,700 * 7.65%. \$ _____
- 3. High Earner Medicare Tax – Wages over \$137,700 * 1.45%. \$ _____
- 4. High Earner Medicare Tax – Wages over \$200,000 single or \$250,000 joint * .09% \$ _____
- 5. Total Anticipated Federal Income and Social Security/Medicare Taxes (sum of 1 thru 4) \$ _____
- 6. Effective Tax Rate – Line 5 Divided by Total Anticipate Annual Income _____ %

Total Tax Savings: Estimated Dependent Day Care Expenses (not to exceed \$5,000) * Effective Tax Rate

(=) **Estimated Spending Account Federal Tax Savings:** \$ **(A)**

Tax Credit Savings

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

Multiplied by Annual Dependent Day Care Expenses (listed above): \$ _____
(Maximum total of \$3,000 for one dependent, or \$6,000 for more than one dependent)

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