

Form 1040 U.S. Individual Income Tax Return 2010

Department of the Treasury—Internal Revenue Service

(99) IRS Use Only—Do not write or staple in this space.

Name, Address, and SSN section containing personal information for Michael R Pence and Karen S Pence, including home address in Arlington, VA.

Presidential Election Campaign section with checkboxes for 'You' and 'Spouse'.

Filing Status section with options for Single, Married filing jointly, Married filing separately, and Qualifying widow(er).

Exemptions section including dependent information for Michael J Pence, Charlotte Pence, and Audrey A Pence.

Income section with a table listing various income sources such as wages, dividends, and interest, totaling 187,234.

Adjusted Gross Income section with a table listing deductions such as educator expenses, health savings account, and student loan interest, resulting in an adjusted gross income of 187,234.

Tax and Credits

38 Amount from line 37 (adjusted gross income) 38 187,234
39a Check [] You were born before January 2, 1946, [] Blind. Total boxes checked 39a
b If your spouse itemizes on a separate return or you were a dual-status alien, check here 39b
40 Itemized deductions (from Schedule A) or your standard deduction (see instructions) 40 66,774
41 Subtract line 40 from line 38 41 120,460
42 Exemptions. Multiply \$3,650 by the number on line 6d 42 18,250
43 Taxable income. Subtract line 42 from line 41. If line 42 is more than line 41, enter -0- 43 102,210
44 Tax (see instr.). Check if any tax is from: a [] Form(s) 8814 b [] Form 4972 44 17,915
45 Alternative minimum tax (see instructions). Attach Form 6251 45
46 Add lines 44 and 45 46 17,915
47 Foreign tax credit. Attach Form 1116 if required 47
48 Credit for child and dependent care expenses. Attach Form 2441 48
49 Education credits from Form 8863, line 23 49
50 Retirement savings contributions credit. Attach Form 8880 50
51 Child tax credit (see instructions) 51
52 Residential energy credits. Attach Form 5695 52
53 Other credits from Form: a [] 3800 b [] 8801 c [] 53
54 Add lines 47 through 53. These are your total credits 54
55 Subtract line 54 from line 46. If line 54 is more than line 46, enter -0- 55 17,915

Other Taxes

56 Self-employment tax. Attach Schedule SE 56
57 Unreported social security and Medicare tax from Form: a [] 4137 b [] 8919 57
58 Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required 58
59 a [] Form(s) W-2, box 9 b [] Schedule H c [] Form 5405, line 16 59
60 Add lines 55 through 59. This is your total tax 60 17,915

Payments

61 Federal income tax withheld from Forms W-2 and 1099 61 21,849
62 2010 estimated tax payments and amount applied from 2009 return 62
63 Making work pay credit. Attach Schedule M 63 55
64a Earned income credit (EIC) 64a
b Nontaxable combat pay election 64b
65 Additional child tax credit. Attach Form 8812 65
66 American opportunity credit from Form 8863, line 14 66
67 First-time homebuyer credit from Form 5405, line 10 67
68 Amount paid with request for extension to file 68
69 Excess social security and tier 1 RRTA tax withheld 69
70 Credit for federal tax on fuels. Attach Form 4136 70
71 Credits from Form: a [] 2439 b [] 8839 c [] 8801 d [] 8885 71
72 Add lines 61, 62, 63, 64a, and 65 through 71. These are your total payments 72 21,904

Refund

73 If line 72 is more than line 60, subtract line 60 from line 72. This is the amount you overpaid 73 3,989
74a Amount of line 73 you want refunded to you. If Form 8888 is attached, check here 74a 3,989
b Routing number [redacted] [X] Checking [] Savings
d Account number [redacted]
75 Amount of line 73 you want applied to your 2011 estimated tax 75
76 76

Amount You Owe

76 Amount you owe. Subtract line 72 from line 60. For details on how to pay, see instructions 76
77 Estimated tax penalty (see instructions) 77

Third Party Designee

Do you want to allow another person to discuss this return with the IRS (see instructions)? [X] Yes. Complete below [] No
Designee's name [redacted] Personal identification number (PIN) [redacted]
STEPHEN REED Phone no. 317-549-3091

Sign Here

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.
Your signature [redacted] Date [redacted] Your occupation LEGISLATOR Daytime phone number
Spouse's signature. If a joint return, both must sign. Date [redacted] Spouse's occupation TEACHER

Paid

Print/Type preparer's name Preparer's signature Date Check # PTIN
STEPHEN REED 02/24/11 self-employe [redacted]

Preparer Use Only

Firm's name Cadick Williams McAllister Ford, LLC Firm's EIN [redacted]
Firm's address 2905 East 46th Street Indianapolis IN 46205-2408 Phone no. 317-549-3091

Form **8879**

IRS e-file Signature Authorization

OMB No. 1545-0074

Department of the Treasury
Internal Revenue Service

▶ Do not send to the IRS. This is not a tax return.
▶ Keep this form for your records. See instructions.

2010

Declaration Control Number (DCN) ▶ [REDACTED]

Taxpayer's name
MICHAEL R PENCE

Spouse's name
KAREN S PENCE

Social security number
[REDACTED]

Spouse's social security number
[REDACTED]

Part I Tax Return Information — Tax Year Ending December 31, 2010 (Whole Dollars Only)

1	Adjusted gross income (Form 1040, line 38; Form 1040A, line 22; Form 1040EZ, line 4)	1	187,234
2	Total tax (Form 1040, line 60; Form 1040A, line 37; Form 1040EZ, line 11)	2	17,915
3	Federal income tax withheld (Form 1040, line 61; Form 1040A, line 38; Form 1040EZ, line 7)	3	21,849
4	Refund (Form 1040, line 74a; Form 1040A, line 46a; Form 1040EZ, line 12a; Form 1040-SS, Part I, line 12a)	4	3,989
5	Amount you owe (Form 1040, line 76; Form 1040A, line 48; Form 1040EZ, line 13)	5	

Part II Taxpayer Declaration and Signature Authorization (Be sure you get and keep a copy of your return)

Under penalties of perjury, I declare that I have examined a copy of my electronic individual income tax return and accompanying schedules and statements for the tax year ending December 31, 2010, and to the best of my knowledge and belief, it is true, correct, and complete. I further declare that the amounts in Part I above are the amounts from my electronic income tax return. I consent to allow my intermediate service provider, transmitter, or electronic return originator (ERO) to send my return to the IRS and to receive from the IRS (a) an acknowledgement of receipt or reason for rejection of the transmission, (b) the reason for any delay in processing the return or refund, and (c) the date of any refund. If applicable, I authorize the U.S. Treasury and its designated Financial Agent to initiate an ACH electronic funds withdrawal (direct debit) entry to the financial institution account indicated in the tax preparation software for payment of my Federal taxes owed on this return and/or a payment of estimated tax, and the financial institution to debit the entry to this account. I further understand that this authorization may apply to future Federal tax payments that I direct to be debited through the Electronic Federal Tax Payment System (EFTPS). In order for me to initiate future payments, I request that the IRS send me a personal identification number (PIN) to access EFTPS. This authorization is to remain in full force and effect until I notify the U.S. Treasury Financial Agent to terminate the authorization. To revoke a payment, I must contact the U.S. Treasury Financial Agent at 1-888-353-4537 no later than 2 business days prior to the payment (settlement) date. I also authorize the financial institutions involved in the processing of the electronic payment of taxes to receive confidential information necessary to answer inquiries and resolve issues related to the payment. I further acknowledge that the personal identification number (PIN) below is my signature for my electronic income tax return and, if applicable, my Electronic Funds Withdrawal Consent.

Taxpayer's PIN: check one box only

- I authorize Cadick Williams McAllister Ford, LL to enter or generate my PIN [REDACTED] as my signature on my tax year 2010 electronically filed income tax return.
ERO firm name Enter five numbers, but do not enter all zeros
- I will enter my PIN as my signature on my tax year 2010 electronically filed income tax return. Check this box **only** if you are entering your own PIN and your return is filed using the Practitioner PIN method. The ERO must complete Part III below.

Your signature ▶ _____ Date ▶ 02/19/11

Spouse's PIN: check one box only

- I authorize Cadick Williams McAllister Ford, LL to enter or generate my PIN [REDACTED] as my signature on my tax year 2010 electronically filed income tax return.
ERO firm name Enter five numbers, but do not enter all zeros
- I will enter my PIN as my signature on my tax year 2010 electronically filed income tax return. Check this box **only** if you are entering your own PIN and your return is filed using the Practitioner PIN method. The ERO must complete Part III below.

Spouse's signature ▶ _____ Date ▶ 02/19/11

Practitioner PIN Method Returns Only—continue below

Part III Certification and Authentication — Practitioner PIN Method Only

ERO's EFIN/PIN. Enter your six-digit EFIN followed by your five-digit self-selected PIN. [REDACTED]
do not enter all zeros

I certify that the above numeric entry is my PIN, which is my signature for the tax year 2010 electronically filed income tax return for the taxpayer(s) indicated above. I confirm that I am submitting this return in accordance with the requirements of the Practitioner PIN method and **Publication 1345**, Handbook for Authorized IRS e-file Providers of Individual Income Tax Returns.

ERO's signature ▶ _____ Date ▶ 02/19/11

**ERO Must Retain This Form — See Instructions
Do Not Submit This Form to the IRS Unless Requested To Do So**

Taxpayer Name MICHAEL R PENCE
 Spouse Name KAREN S PENCE

DO NOT SUBMIT THIS DOCUMENT TO IRS UNLESS REQUESTED TO DO SO

ERO Declaration

I declare that the information contained in this electronic tax return is the information furnished to me by the taxpayer. If the taxpayer furnished me a completed tax return, I declare that the information contained in this electronic tax return is identical to that contained in the return provided by the taxpayer. If the furnished return was signed by a paid preparer, I declare I have entered the paid preparer's identifying information in the appropriate portion of this electronic return. If I am the paid preparer, under the penalties of perjury I declare that I have examined this electronic return, and to the best of my knowledge and belief, it is true, correct, and complete. This declaration is based on all information of which I have any knowledge.

ERO Signature

I am signing this Tax Return by entering my PIN below.

ERO's PIN 

Taxpayer Declarations

Perjury Statement

Under penalties of perjury, I declare that I have examined this return, including any accompanying statements and schedules and, to the best of my knowledge and belief, it is true, correct, and complete.

Consent to Disclosure

I consent to allow my Intermediate Service Provider, transmitter, or Electronic Return Originator (ERO) to send my return to IRS and to receive the following information from IRS: a) an acknowledgment of receipt or reason for rejection of transmission; b) the reason for any delay in processing or refund; and, c) the date of any refund.

Electronic Funds Withdrawal Consent

If applicable, I authorize the U.S. Treasury and its designated Financial Agent to initiate an ACH Electronic Funds Withdrawal (direct debit) entry to the financial institution account indicated in the tax preparation software for payment of my Federal taxes owed on this return and/or a payment of estimated tax, and the financial institution to debit the entry to this account. I further understand that this authorization may apply to future Federal tax payments that I direct to be debited through the Electronic Federal Tax Payment System (EFTPS). In order for me to initiate future payments, I request that the IRS send me a personal identification number (PIN) to access EFTPS. This authorization is to remain in full force and effect until I notify the U.S. Treasury Financial Agent to terminate the authorization. To revoke a payment, I must contact the U.S. Treasury Financial Agent at 1-888-353-4537 no later than 2 business days prior to the payment (settlement) date. I also authorize the financial institutions involved in the processing of the electronic payment of taxes to receive confidential information necessary to answer inquiries and resolve issues related to the payment.

I am signing this Tax Return/Form and Electronic Funds Withdrawal Consent, if applicable, by entering my Self-Select PIN below.

Date (all numerics) 02/19/11

Taxpayer's PIN (enter five numbers, other than all zeroes) 

Spouse's PIN (enter five numbers, other than all zeroes) 

Form 1310 Signature and Verification

Completion of this section indicates that I am requesting a refund of taxes overpaid by or on behalf of the decedent. Under penalties of perjury, I declare that I have examined this Form 1310 claim, and to the best of my knowledge and belief, it is true, correct and complete.

Signature of person claiming refund

Date

SCHEDULE A
(Form 1040)

Itemized Deductions

OMB No. 1545-0074

2010

Attachment
Sequence No. **07**

Department of the Treasury
Internal Revenue Service (99)

▶ **Attach to Form 1040.**

▶ **See Instructions for Schedule A (Form 1040).**

Name(s) shown on Form 1040

Your social security number

MICHAEL R & KAREN S PENCE

Medical and Dental Expenses	Caution. Do not include expenses reimbursed or paid by others.			
	1	Medical and dental expenses (see instructions)	503	
	2	Enter amount from Form 1040, line 38	187,234	
	3	Multiply line 2 by 7.5% (.075)	14,043	
	4	Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-		0
Taxes You Paid	5 State and local (check only one box):			
	a	<input checked="" type="checkbox"/> Income taxes, or	10,238	
	b	<input type="checkbox"/> General sales taxes		
	6	Real estate taxes (see instructions)	7,072	
	7	New motor vehicle taxes from line 11 of the worksheet on back (for certain vehicles purchased in 2009). Skip this line if you checked box 5b		
	8	Other taxes. List type and amount LICENSE PLATES	432	
	9	Add lines 5 through 8		17,742
	Interest You Paid	10	Home mortgage interest and points reported to you on Form 1098	30,866
11		Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see instructions and show that person's name, identifying no., and address		
12		Points not reported to you on Form 1098. See instructions for special rules	91	
13		Mortgage insurance premiums (see instructions)		
14		Investment interest. Attach Form 4952 if required. (See instructions.)		
15		Add lines 10 through 14		30,957
Gifts to Charity		16	Gifts by cash or check. If you made any gift of \$250 or more, see instructions	14,806
	17	Other than by cash or check. If any gift of \$250 or more, see instructions. You must attach Form 8283 if over \$500	269	
	18	Carryover from prior year		
	19	Add lines 16 through 18		15,075
Casualty and Theft Losses	20	Casualty or theft loss(es). Attach Form 4684. (See instructions.)		
Job Expenses and Certain Miscellaneous Deductions	21	Unreimbursed employee expenses—job travel, union dues, job education, etc. Attach Form 2106 or 2106-EZ if required. (See instructions.)		
	22	Tax preparation fees		
	23	Other expenses—investment, safe deposit box, etc. List type and amount		
	24	Add lines 21 through 23		
	25	Enter amount from Form 1040, line 38		
	26	Multiply line 25 by 2% (.02)		
	27	Subtract line 26 from line 24. If line 26 is more than line 24, enter -0-		
Other Miscellaneous Deductions	28	Other—from list in instructions. List type and amount MEMBER OF CONGRESS		3,000
Total Itemized Deductions	29	Add the amounts in the far right column for lines 4 through 28. Also, enter this amount on Form 1040, line 40		66,774
	30	If you elect to itemize deductions even though they are less than your standard deduction, check here	<input type="checkbox"/>	

For Paperwork Reduction Act Notice, see Form 1040 instructions.

Schedule A (Form 1040) 2010

**SCHEDULE C
(Form 1040)**

**Profit or Loss From Business
(Sole Proprietorship)**

OMB No. 1545-0074

2010

Attachment Sequence No. **09**

Department of the Treasury
Internal Revenue Service (99)

▶ Partnerships, joint ventures, etc., generally must file Form 1065 or 1065-B.
▶ Attach to Form 1040, 1040NR, or 1041. ▶ See instructions for Schedule C (Form 1040).

Name of proprietor
KAREN S PENCE

Social security number (SSN)
[REDACTED]

A Principal business or profession, including product or service (see instructions)
WATERCOLOR ARTIST

B Enter code from pages C-9, 10, & 11
▶ **541920**

C Business name. If no separate business name, leave blank.
KAREN PENCE

D Employer ID number (EIN), if any

E Business address (including suite or room no.) ▶
City, town or post office, state, and ZIP code
IN

F Accounting method: (1) Cash (2) Accrual (3) Other (specify) ▶

G Did you "materially participate" in the operation of this business during 2010? If "No," see instructions for limit on losses Yes No

H If you started or acquired this business during 2010, check here

Part I Income			
1	Gross receipts or sales. Caution. See instructions and check the box if: • This income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked, or • You are a member of a qualified joint venture reporting only rental real estate income not subject to self-employment tax. Also see instructions for limit on losses.	<input type="checkbox"/>	1,475
2	Returns and allowances		
3	Subtract line 2 from line 1		1,475
4	Cost of goods sold (from line 42 on page 2)		
5	Gross profit. Subtract line 4 from line 3		1,475
6	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)		
7	Gross income. Add lines 5 and 6		1,475

Part II Expenses. Enter expenses for business use of your home only on line 30.			
8	Advertising	8	230
9	Car and truck expenses (see instructions)	9	
10	Commissions and fees	10	150
11	Contract labor (see instructions)	11	
12	Depletion	12	
13	Depreciation and section 179 expense deduction (not included in Part III) (see instructions)	13	
14	Employee benefit programs (other than on line 19)	14	
15	Insurance (other than health)	15	
16	Interest:		
a	Mortgage (paid to banks, etc.)	16a	
b	Other	16b	
17	Legal and professional services	17	610
18	Office expense	18	
19	Pension and profit-sharing plans	19	
20	Rent or lease (see instructions):		
a	Vehicles, machinery, and equipment	20a	
b	Other business property	20b	
21	Repairs and maintenance	21	
22	Supplies (not included in Part III)	22	234
23	Taxes and licenses	23	
24	Travel, meals, and entertainment:		
a	Travel	24a	
b	Deductible meals and entertainment (see instructions)	24b	
25	Utilities	25	
26	Wages (less employment credits)	26	
27	Other expenses (from line 48 on page 2)	27	90
28	Total expenses before expenses for business use of home. Add lines 8 through 27	28	1,314
29	Tentative profit or (loss). Subtract line 28 from line 7	29	161
30	Expenses for business use of your home. Attach Form 8829	30	
31	Net profit or (loss). Subtract line 30 from line 29. • If a profit, enter on both Form 1040, line 12 , and Schedule SE, line 2 , or on Form 1040NR, line 13 (if you checked the box on line 1, see instructions). Estates and trusts, enter on Form 1041, line 3 . • If a loss, you must go to line 32.	31	161
32	If you have a loss, check the box that describes your investment in this activity (see instructions). • If you checked 32a, enter the loss on both Form 1040, line 12 , and Schedule SE, line 2 , or on Form 1040NR, line 13 (if you checked the box on line 1, see the line 31 instructions). Estates and trusts, enter on Form 1041, line 3 . • If you checked 32b, you must attach Form 6198 . Your loss may be limited.	32a	<input type="checkbox"/> All investment is at risk.
		32b	<input type="checkbox"/> Some investment is not at risk.

For Paperwork Reduction Act Notice, see your tax return instructions.

Schedule C (Form 1040) 2010

KAREN S PENCE

Schedule C (Form 1040) 2010 WATERCOLOR ARTIST

Part III Cost of Goods Sold (see instructions)

33 Method(s) used to value closing inventory: a [] Cost b [] Lower of cost or market c [] Other (attach explanation)

34 Was there any change in determining quantities, costs, or valuations between opening and closing inventory? If "Yes," attach explanation [] Yes [X] No

Table with 2 columns: Description and Amount. Rows include: 35 Inventory at beginning of year, 36 Purchases less cost of items withdrawn for personal use, 37 Cost of labor, 38 Materials and supplies, 39 Other costs, 40 Add lines 35 through 39, 41 Inventory at end of year, 42 Cost of goods sold.

Part IV Information on Your Vehicle. Complete this part only if you are claiming car or truck expenses on line 9 and are not required to file Form 4562 for this business. See the instructions for line 13 to find out if you must file Form 4562.

43 When did you place your vehicle in service for business purposes? (month, day, year) ▶

44 Of the total number of miles you drove your vehicle during 2010, enter the number of miles you used your vehicle for:

a Business b Commuting (see instructions) c Other

45 Was your vehicle available for personal use during off-duty hours? [] Yes [] No
46 Do you (or your spouse) have another vehicle available for personal use? [] Yes [] No
47a Do you have evidence to support your deduction? [] Yes [] No
b If "Yes," is the evidence written? [] Yes [] No

Part V Other Expenses. List below business expenses not included on lines 8-26 or line 30.

Table with 2 columns: Description and Amount. Row 1: LOCK BOX 90. Row 48: Total other expenses. Enter here and on page 1, line 27 90.

48 Total other expenses. Enter here and on page 1, line 27 48 90

**SCHEDULE D
(Form 1040)**

Capital Gains and Losses

OMB No. 1545-0074

2010

Attachment
Sequence No. **12**

Department of the Treasury
Internal Revenue Service (99)

▶ Attach to Form 1040 or Form 1040NR. ▶ See instructions for Schedule D (Form 1040).

▶ Use Schedule D-1 to list additional transactions for lines 1 and 8.

Name(s) shown on return

MICHAEL R & KAREN S PENCE

Your social security number

Part I Short-Term Capital Gains and Losses – Assets Held One Year or Less

(a) Description of property (Example: 100 sh. XYZ Co.)	(b) Date acquired (Mo., day, yr.)	(c) Date sold (Mo., day, yr.)	(d) Sales price (see page D-7 of the instructions)	(e) Cost or other basis (see page D-7 of the instructions)	(f) Gain or (loss) Subtract (e) from (d)
1					
2	Enter your short-term totals, if any, from Schedule D-1, line 2		2		
3	Total short-term sales price amounts. Add lines 1 and 2 in column (d)		3		
4	Short-term gain from Form 6252 and short-term gain or (loss) from Forms 4684, 6781, and 8824				4
5	Net short-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1				5
6	Short-term capital loss carryover. Enter the amount, if any, from line 10 of your Capital Loss Carryover Worksheet on page D-7 of the instructions				6
7	Net short-term capital gain or (loss). Combine lines 1 through 6 in column (f)				7

Part II Long-Term Capital Gains and Losses – Assets Held More Than One Year

(a) Description of property (Example: 100 sh. XYZ Co.)	(b) Date acquired (Mo., day, yr.)	(c) Date sold (Mo., day, yr.)	(d) Sales price (see page D-7 of the instructions)	(e) Cost or other basis (see page D-7 of the instructions)	(f) Gain or (loss) Subtract (e) from (d)
8					
9	Enter your long-term totals, if any, from Schedule D-1, line 9		9		
10	Total long-term sales price amounts. Add lines 8 and 9 in column (d)		10		
11	Gain from Form 4797, Part I; long-term gain from Forms 2439 and 6252; and long-term gain or (loss) from Forms 4684, 6781, and 8824				11
12	Net long-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1				12
13	Capital gain distributions. See page D-2 of the instructions				13
14	Long-term capital loss carryover. Enter the amount, if any, from line 15 of your Capital Loss Carryover Worksheet on page D-7 of the instructions				14
15	Net long-term capital gain or (loss). Combine lines 8 through 14 in column (f). Then go to Part III on the back				15

For Paperwork Reduction Act Notice, see your tax return instructions.

Schedule D (Form 1040) 2010

Part III Summary

<p>16 Combine lines 7 and 15 and enter the result</p> <ul style="list-style-type: none"> ● If line 16 is a gain, enter the amount from line 16 on Form 1040, line 13, or Form 1040NR, line 14. Then go to line 17 below. ● If line 16 is a loss, skip lines 17 through 20 below. Then go to line 21. Also be sure to complete line 22. ● If line 16 is zero, skip lines 17 through 21 below and enter -0- on Form 1040, line 13, or Form 1040NR, line 14. Then go to line 22. 	16	-7,536
<p>17 Are lines 15 and 16 both gains?</p> <p><input type="checkbox"/> Yes. Go to line 18.</p> <p><input type="checkbox"/> No. Skip lines 18 through 21, and go to line 22.</p>		
<p>18 Enter the amount, if any, from line 7 of the 28% Rate Gain Worksheet on page D-8 of the instructions</p>	18	
<p>19 Enter the amount, if any, from line 18 of the Unrecaptured Section 1250 Gain Worksheet on page D-9 of the instructions</p>	19	
<p>20 Are lines 18 and 19 both zero or blank?</p> <p><input type="checkbox"/> Yes. Complete Form 1040 through line 43, or Form 1040NR through line 41. Then complete the Qualified Dividends and Capital Gain Tax Worksheet in the Instructions for Form 1040, line 44 (or in the Instructions for Form 1040NR, line 42). Do not complete lines 21 and 22 below.</p> <p><input type="checkbox"/> No. Complete Form 1040 through line 43, or Form 1040NR through line 41. Then complete the Schedule D Tax Worksheet on page D-10 of the instructions. Do not complete lines 21 and 22 below.</p>		
<p>21 If line 16 is a loss, enter here and on Form 1040, line 13, or Form 1040NR, line 14, the smaller of:</p> <ul style="list-style-type: none"> ● The loss on line 16 or ● (\$3,000), or if married filing separately, (\$1,500)] <p>Note. When figuring which amount is smaller, treat both amounts as positive numbers.</p>	21	(3,000)
<p>22 Do you have qualified dividends on Form 1040, line 9b, or Form 1040NR, line 10b?</p> <p><input type="checkbox"/> Yes. Complete Form 1040 through line 43, or Form 1040NR through line 41. Then complete the Qualified Dividends and Capital Gain Tax Worksheet in the Instructions for Form 1040, line 44 (or in the Instructions for Form 1040NR, line 42).</p> <p><input checked="" type="checkbox"/> No. Complete the rest of Form 1040 or Form 1040NR.</p>		

Form **8606**

Nondeductible IRAs

OMB No. 1545-0074

Department of the Treasury
Internal Revenue Service (99)

▶ See separate instructions.
▶ Attach to Form 1040, Form 1040A, or Form 1040NR.

2010
Attachment
Sequence No. **48**

Name. If married, file a separate form for each spouse required to file Form 8606. See instructions.

KAREN S PENCE

Your social security number

[REDACTED]

**Fill in Your Address Only
If You Are Filing This
Form by Itself and Not
With Your Tax Return**

Home address (number and street, or P.O. box if mail is not delivered to your home)

Apt. no.

City, town or post office, state, and ZIP code

Part I Nondeductible Contributions to Traditional IRAs and Distributions From Traditional, SEP, and SIMPLE IRAs

Complete this part only if one or more of the following apply.

- You made nondeductible contributions to a traditional IRA for 2010.
- You took distributions from a traditional, SEP, or SIMPLE IRA in 2010 and you made nondeductible contributions to a traditional IRA in 2010 or an earlier year. For this purpose, a distribution does not include a rollover, one-time distribution to fund an HSA, conversion, recharacterization, or return of certain contributions.
- You converted part, but not all, of your traditional, SEP, and SIMPLE IRAs to Roth IRAs in 2010 (excluding any portion you recharacterized) and you made nondeductible contributions to a traditional IRA in 2010 or an earlier year.

1	Enter your nondeductible contributions to traditional IRAs for 2010, including those made for 2010 from January 1, 2011, through April 18, 2011 (see instructions)		1
2	Enter your total basis in traditional IRAs (see instructions)		2
3	Add lines 1 and 2		3
	In 2010, did you take a distribution from traditional, SEP, or SIMPLE IRAs, or make a Roth IRA conversion?	No → Enter the amount from line 3 on line 14. Do not complete the rest of Part I. Yes → Go to line 4.	
4	Enter those contributions included on line 1 that were made from January 1, 2011, through April 18, 2011		4
5	Subtract line 4 from line 3		5
6	Enter the value of all your traditional, SEP, and SIMPLE IRAs as of December 31, 2010, plus any outstanding rollovers (see instructions)	6	
7	Enter your distributions from traditional, SEP, and SIMPLE IRAs in 2010. Do not include rollovers, a one-time distribution to fund an HSA, conversions to a Roth IRA, certain returned contributions, or recharacterizations of traditional IRA contributions (see instructions)	7	
8	Enter the net amount you converted from traditional, SEP, and SIMPLE IRAs to Roth IRAs in 2010. Do not include amounts converted that you later recharacterized (see instructions). Also enter this amount on line 16	8	
9	Add lines 6, 7, and 8	9	
10	Divide line 5 by line 9. Enter the result as a decimal rounded to at least 3 places. If the result is 1.000 or more, enter "1.000"	10	
11	Multiply line 8 by line 10. This is the nontaxable portion of the amount you converted to Roth IRAs. Also enter this amount on line 17	11	
12	Multiply line 7 by line 10. This is the nontaxable portion of your distributions that you did not convert to a Roth IRA	12	
13	Add lines 11 and 12. This is the nontaxable portion of all your distributions		13
14	Subtract line 13 from line 3. This is your total basis in traditional IRAs for 2010 and earlier years		14
15	Taxable amount. Subtract line 12 from line 7. If more than zero, also include this amount on Form 1040, line 15b; Form 1040A, line 11b; or Form 1040NR, line 16b Note: You may be subject to an additional 10% tax on the amount on line 15 if you were under age 59½ at the time of the distribution (see instructions).		15

Part II 2010 Conversions From Traditional, SEP, or SIMPLE IRAs to Roth IRAs

Complete this part if you converted part or all of your traditional, SEP, and SIMPLE IRAs to a Roth IRA in 2010 (excluding any portion you recharacterized).

16	If you completed Part I, enter the amount from line 8. Otherwise, enter the net amount you converted from traditional, SEP, and SIMPLE IRAs to Roth IRAs in 2010. Do not include amounts you later recharacterized back to traditional, SEP, or SIMPLE IRAs in 2010 or 2011 (see instructions)		16
17	If you completed Part I, enter the amount from line 11. Otherwise, enter your basis in the amount on line 16 (see instructions)		17

For Privacy Act and Paperwork Reduction Act Notice, see separate instructions.

Form **8606** (2010)

Part II 2010 Conversions From Traditional, SEP, or SIMPLE IRAs to Roth IRAs (Continued)

18	Taxable amount. Subtract line 17 from line 16	18	
19	Amount subject to tax in 2010. Check the box if you elect to report the entire taxable amount in 2010 rather than reporting 1/2 of it in 2011 and 1/2 in 2012. Generally, you must check this box if you check the box on line 24 (see instructions) <input type="checkbox"/> If you checked the box, enter the amount from line 18 on this line and include this amount on Form 1040, line 15b, Form 1040A, line 11b, or Form 1040NR, line 16b. If you did not check the box, skip line 19 and go to line 20a.	19	
20a	Amount subject to tax in 2011. If you did not check the box on line 19, multiply the amount on line 18 by 50% (.50) and enter it here. Include this amount on the applicable line of your 2011 tax return	20a	
b	Amount subject to tax in 2012. Subtract line 20a from line 18. Include this amount on the applicable line of your 2012 tax return	20b	

Part III 2010 Rollovers From Qualified Retirement Plans to Roth IRAs and In-plan Rollovers to Designated Roth Accounts

Complete this part if you rolled over part or all of your qualified retirement plan to a Roth IRA (excluding recharacterizations), or rolled over an amount to a designated Roth account within the same plan, in 2010.

21	Enter the amount you rolled over from qualified retirement plans to Roth IRAs and any in-plan rollovers to designated Roth accounts, in 2010. Do not include amounts you later recharacterized to traditional IRAs in 2010 or 2011 (see instructions)	21	
22	Enter your basis in the amount on line 21	22	
23	Taxable amount. Subtract line 22 from line 21	23	
24	Amount subject to tax in 2010. Check the box if you elect to report the entire taxable amount in 2010 rather than reporting 1/2 of it in 2011 and 1/2 of it in 2012. Generally, you must check this box if you checked the box on line 19 (see instructions) <input type="checkbox"/> If you checked the box, enter the amount from line 23 on this line and include this amount on Form 1040, line 16b, Form 1040A, line 12b, or Form 1040NR, line 17b. If you did not check the box, skip line 24 and go to line 25a.	24	
25a	Amount subject to tax in 2011. If you did not check the box on line 24, multiply the amount on line 23 by 50% (.50) and enter it here. Include this amount on the applicable line of your 2011 tax return	25a	
b	Amount subject to tax in 2012. Subtract line 25a from line 23. Include this amount on the applicable line of your 2012 tax return	25b	

Part IV Distributions From Roth IRAs (and Certain Distributions from Designated Roth Accounts) (see instructions)

Complete this part only if you took a distribution from a Roth IRA, and for certain distributions from a designated Roth account, in 2010. For this purpose, a distribution does not include a rollover, a one-time distribution to fund an HSA, recharacterization, or return of certain contributions (see instructions).

26	Enter your total nonqualified distributions from a Roth IRA in 2010, including any qualified first-time homebuyer distributions, and certain qualified distributions (see instructions)	26	
27	Qualified first-time homebuyer distributions (see instructions). Do not enter more than \$10,000	27	
28	Subtract line 27 from line 26. If zero or less, enter -0- and stop here	28	
29	Enter your basis in Roth IRA contributions (see instructions)	29	1,540
30	Subtract line 29 from line 28. If zero or less, enter -0- and stop here. If the amount is more than zero, you may be subject to an additional tax (see instructions)	30	
31	Enter your basis in conversions from traditional, SEP, and SIMPLE IRAs and rollovers from qualified retirement plans to a Roth IRA (see instructions)	31	
32	Subtract line 31 from line 30. If zero or less, enter -0- and do not complete the rest of Part IV	32	
Note.	If you completed lines 20a and 20b, or 25a and 25b, go to line 33. Otherwise, enter the amount from line 32 on line 35 and go to line 36.		
33	Enter the smaller of line 32 or the total of lines 20a, 20b, 25a, and 25b	33	
34	Subtract line 33 from line 32. If zero, enter -0- and skip line 35 and go to line 36	34	
35	Subtract the total of lines 17 and 22 from line 34. If zero or less, enter -0-	35	
36	Taxable amount. Add lines 33 and 35. If more than zero, also include this amount on Form 1040, line 15b, Form 1040A, line 11b, or Form 1040NR, line 16b. For distributions from designated Roth accounts, see instructions	36	

Sign Here Only If You Are Filing This Form by Itself and Not With Your Tax Return

Under penalties of perjury, I declare that I have examined this form, including accompanying attachments, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature

Date

Paid Preparer Use Only	Print/Type preparer's name STEPHEN REED	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Firm's name	Firm's EIN			
	Firm's address	Phone no.			

SCHEDULE M
(Form 1040A or 1040)

Making Work Pay Credit

OMB No. 1545-0074

2010

Attachment
Sequence No. **166**

Department of the Treasury
Internal Revenue Service (99)

▶ Attach to Form 1040A or 1040.

▶ See separate instructions.

Name(s) shown on return

MICHAEL R & KAREN S PENCE

Your social security number

CAUTION To take the making work pay credit, you must include your social security number (if filing a joint return, the number of either you or your spouse) on your tax return. A social security number does not include an identification number issued by the IRS. Only the Social Security Administration issues social security numbers.

CAUTION You cannot take the making work pay credit if you can be claimed as someone else's dependent or if you are a nonresident alien.

Important: Check the "No" box on line 1a and see the instructions if:

- (a) You have a net loss from a business,
- (b) You received a taxable scholarship or fellowship grant not reported on a Form W-2,
- (c) Your wages include pay for work performed while an inmate in a penal institution,
- (d) You received a pension or annuity from a nonqualified deferred compensation plan or a nongovernmental section 457 plan, or
- (e) You are filing Form 2555 or 2555-EZ.

1a Do you (and your spouse if filing jointly) have 2010 wages of more than \$6,451 (\$12,903 if married filing jointly)?

- Yes.** Skip lines 1a through 3. Enter \$400 (\$800 if married filing jointly) on line 4 and go to line 5.
- No.** Enter your earned income (see instructions)

	1a		
b Nontaxable combat pay included on line 1a (see instructions)	1b		
2 Multiply line 1a by 6.2% (.062)	2		
3 Enter \$400 (\$800 if married filing jointly)	3		
4 Enter the smaller of line 2 or line 3 (unless you checked "Yes" on line 1a)	4		800
5 Enter the amount from Form 1040, line 38*, or Form 1040A, line 22	5	187,234	
6 Enter \$75,000 (\$150,000 if married filing jointly)	6	150,000	
7 Is the amount on line 5 more than the amount on line 6? <input type="checkbox"/> No. Skip line 8. Enter the amount from line 4 on line 9 below. <input checked="" type="checkbox"/> Yes. Subtract line 6 from line 5	7	37,234	
8 Multiply line 7 by 2% (.02)	8		745
9 Subtract line 8 from line 4. If zero or less, enter -0-	9		55
10 Did you (or your spouse, if filing jointly) receive an economic recovery payment in 2010? You may have received this payment in 2010 if you did not receive an economic recovery payment in 2009 but you received social security benefits, supplemental security income, railroad retirement benefits, or veterans disability compensation or pension benefits in November 2008, December 2008, or January 2009 (see instructions). <input checked="" type="checkbox"/> No. Enter -0- on line 10 and go to line 11. <input type="checkbox"/> Yes. Enter the total of the payments you (and your spouse, if filing jointly) received in 2010. Do not enter more than \$250 (\$500 if married filing jointly)	10		0
11 Making work pay credit. Subtract line 10 from line 9. If zero or less, enter -0-. Enter the result here and on Form 1040, line 63; or Form 1040A, line 40	11		55

*If you are filing Form 2555, 2555-EZ, or 4563 or you are excluding income from Puerto Rico, see instructions.

Form **1040** **Salaries & Wages Report** **2010**

Name **MICHAEL R & KAREN S PENCE** Taxpayer Identification Number [REDACTED]

T/S	Employer	Federal Wages	Federal Withheld	Soc Sec wages
A	T HOUSE OF REPRESENTATIVES	150,194	20,612	106,800
B	S IMMANUEL CHRISTIAN SCHOOL	26,307	1,237	26,307
C	S THE DOMINION SCHOOL INC	10,427		10,427
D				
E				
F				
G				
H				
I				
J				
K				
L				
M				
	Taxpayer	150,194	20,612	106,800
	Spouse	36,734	1,237	36,734
	Totals	186,928	21,849	143,534

	Soc Sec Withheld	Medicare Wages	Medicare Withheld	Allocated Tips	Advanced EIC	Dep Care Ben	Other, Box 14
A	6,622	165,686	2,402				
B	1,631	26,307	381				
C	646	10,427	151				
D							
E							
F							
G							
H							
I							
J							
K							
L							
M							
	Taxpayer	6,622	165,686	2,402			
	Spouse	2,277	36,734	532			
	Totals	8,899	202,420	2,934			

	State	State Wages	State Withheld	Name of Locality	Local Wages	Local Withheld
A	IN	150,194	4,937	Shelby	173 150,194	173 4,200
B	VA	26,307	959			
C	VA	10,427	135			
D						
E						
F						
G						
H						
I						
J						
K						
L						
M						
	Taxpayer	150,194	4,937		150,194	4,200
	Spouse	36,734	1,094			
	Totals	186,928	6,031		150,194	4,200