

Form 1040

Department of the Treasury - Internal Revenue Service U.S. Individual Income Tax Return 2006

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

Label (See instructions on page 16.) Use the IRS label. Otherwise, please print or type. Presidential Election Campaign Check here if you, or your spouse if filing jointly, want \$3 to go to this fund (see page 16) ...

Filing Status 1 Single 2 Married filing jointly (even if only one had income) 3 Married filing separately. Enter spouse's SSN above and full name here. 4 Head of household (with qualifying person). (See page 17.) If the qualifying person is a child but not your dependent, enter this child's name here. 5 Qualifying widow(er) with dependent child (see page 17)

Exemptions 6a Yourself. If someone can claim you as a dependent, do not check box 6a. 6b Spouse. 6c Dependents: (1) First name Last name (2) Dependent's social security number (3) Dependent's relationship to you (4) If qual. child for child tax cr. (see page 19) Boxes checked on 6a and 6b No. of children on 6c who: lived with you did not live with you due to divorce or separation (see page 20) Dependents on 6c not entered above Add numbers on lines above

Income 7 Wages, salaries, tips, etc. Attach Form(s) W-2 7 161,113 8a Taxable interest. Attach Schedule B if required 8a 34 b Tax-exempt interest. Do not include on line 8a 8b 9a Ordinary dividends. Attach Schedule B if required 9a b Qualified dividends (see page 23) 9b 10 Taxable refunds, credits, or offsets of state and local income taxes (see page 24) 10 11 Alimony received 11 12 Business income or (loss). Attach Schedule C or C-EZ 12 439 13 Capital gain or (loss). Attach Schedule D if required. If not required, check here 13 -3,000 14 Other gains or (losses). Attach Form 4797 14 15a IRA distributions 15a b Taxable amount (see page 25) 15b 16a Pensions and annuities 16a b Taxable amount (see page 26) 16b 17 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E 17 0 18 Farm income or (loss). Attach Schedule F 18 19 Unemployment compensation 19 20a Social security benefits 20a b Taxable amount (see page 27) 20b 21 Other income. List type and amount (see page 29) SPEAKING FEE 21 1,000 22 Add the amounts in the far right column for lines 7 through 21. This is your total income 22 159,586

Adjusted Gross Income 23 Archer MSA deduction. Attach Form 8853 23 24 Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ 24 25 Health savings account deduction. Attach Form 8889 25 26 Moving expenses. Attach Form 3903 26 27 One-half of self-employment tax. Attach Schedule SE 27 102 28 Self-employed SEP, SIMPLE, and qualified plans 28 29 Self-employed health insurance deduction (see page 29) 29 30 Penalty on early withdrawal of savings 30 31a Alimony paid b Recipient's SSN 31a 32 IRA deduction (see page 31) 32 33 Student loan interest deduction (see page 33) 33 34 Jury duty pay you gave to your employer 34 35 Domestic production activities deduction. Attach Form 8903 35 36 Add lines 23 through 31a and 32 through 35 36 102 37 Subtract line 36 from line 22. This is your adjusted gross income 37 159,484

Tax	38	Amount from line 37 (adjusted gross income)	38	159,484
and Credits	39a	Check <input type="checkbox"/> You were born before January 2, 1942, <input type="checkbox"/> Blind. <input type="checkbox"/> Spouse was born before January 2, 1942, <input type="checkbox"/> Blind. Total boxes checked <input type="checkbox"/> 39a		
	b	If your spouse itemizes on a separate return or you were a dual-status alien, see page 34 and check here <input type="checkbox"/> 39b		
Standard Deduction for-	40	Itemized deductions (from Schedule A) or your standard deduction (see left margin)	40	63,005
	41	Subtract line 40 from line 38	41	96,479
* People who checked any box on line 39a or 39b or who can be claimed as a dependent, see page 34.	42	If line 38 is over \$112,875, or you provided housing to a person displaced by Hurricane Katrina, see page 36. Otherwise, multiply \$3,300 by the total number of exemptions claimed on line 6d	42	16,500
* All others:	43	Taxable income. Subtract line 42 from line 41. If line 42 is more than line 41, enter -0-	43	79,979
Single or Married filing separately, \$5,150	44	Tax (see page 36). Check if any tax is from: a <input type="checkbox"/> Form(s) 8814 b <input type="checkbox"/> Form 4972	44	13,109
Married filing jointly or Qualifying widow(er), \$10,300	45	Alternative minimum tax (see page 39). Attach Form 6251	45	543
Head of household, \$7,550	46	Add lines 44 and 45	46	13,652
	47	Foreign tax credit. Attach Form 1116 if required	47	
	48	Credit for child and dependent care expenses. Attach Form 2441	48	
	49	Credit for the elderly or the disabled. Attach Schedule R	49	
	50	Education credits. Attach Form 8863	50	
	51	Retirement savings contributions credit. Attach Form 8880	51	
	52	Residential energy credits. Attach Form 5695	52	
	53	Child tax credit (see page 42). Attach Form 8901 if required	53	500
	54	Credits from: a <input type="checkbox"/> Form 8396 b <input type="checkbox"/> Form 8839 c <input type="checkbox"/> Form 8859	54	
	55	Other credits: a <input type="checkbox"/> Form 3800 b <input type="checkbox"/> Form 8801 c <input type="checkbox"/> Form	55	
	56	Add lines 47 through 55. These are your total credits	56	500
	57	Subtract line 56 from line 46. If line 56 is more than line 46, enter -0-	57	13,152
Other Taxes	58	Self-employment tax. Attach Schedule SE	58	203
	59	Social security and Medicare tax on tip income not reported to employer. Attach Form 4137	59	
	60	Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required	60	
	61	Advance earned income credit payments from Form(s) W-2, box 9	61	
	62	Household employment taxes. Attach Schedule H	62	
	63	Add lines 57 through 62. This is your total tax	63	13,355
Payments	64	Federal income tax withheld from Forms W-2 and 1099	64	23,708
	65	2006 estimated tax payments and amount applied from 2005 return	65	
If you have a qualifying child, attach Schedule EIC.	66a	Earned income credit (EIC)	66a	
	b	Nontaxable combat pay election <input type="checkbox"/> 66b		
	67	Excess social security and tier 1 RRTA tax withheld (see page 60)	67	
	68	Additional child tax credit. Attach Form 8812	68	
	69	Amount paid with request for extension to file (see page 60)	69	
	70	Payments from: a <input type="checkbox"/> Form 2439 b <input type="checkbox"/> Form 4136 c <input type="checkbox"/> Form 8885	70	
	71	Credit for federal telephone excise tax paid. Attach Form 8913 if required	71	60
	72	Add ln. 64, 65, 66a, & 67 - 71. These are your total payments	72	23,768
Refund	73	If line 72 is more than line 63, subtract line 63 from line 72. This is the amount you overpaid	73	10,413
Direct deposit? See page 61 and fill in 74b, 74c, and 74d, or Form 8888.	74a	Amount of line 73 you want refunded to you. If Form 8888 is attached, check here <input type="checkbox"/>	74a	10,413
	b	Routing number <input checked="" type="checkbox"/> Checking <input type="checkbox"/> Savings		
	d	Account number		
	75	Amount of line 73 you want applied to your 2007 estimated tax	75	
Amount You Owe	76	Amount you owe. Subtract line 72 from line 63. For details on how to pay, see page 62	76	
	77	Estimated tax penalty (see page 62)	77	

Do you want to allow another person to discuss this return with the IRS (see page 63)? Yes. Complete the following. No

Designee's name Preparer Personal identification number (PIN)

Phone no.

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	Date	Your occupation	Daytime phone number
		LEGISLATOR	
Spouse's signature. If a joint return, both must sign.	Date	Spouse's occupation	
		TEACHER	

Paid Preparer's Use Only

Preparer's signature Date 3/19/07 Check if self-employed Preparer's SSN or PTIN

Firm's name (or yours if self-employed), address, and ZIP code Cadick Williams McAllister Ford PC CPA'S EIN 2905 East 46th Street Indianapolis IN 46205-2408 Phone no. 317-549-3091

SCHEDULES A&B (Form 1040)

Schedule A—Itemized Deductions

(Schedule B is on back)

OMB No. 1545-0074

2006

Attachment Sequence No. 07

Department of the Treasury Internal Revenue Service (99)

Attach to Form 1040. See instructions for Schedules A&B (Form 1040).

Name(s) shown on Form 1040

Your social security number

MICHAEL R & KAREN S PENCE

Table with columns for line number, description, amount, and total. Rows include Medical and Dental Expenses, Taxes You Paid, Interest You Paid, Gifts to Charity, Casualty and Theft Losses, Job Expenses and Certain Miscellaneous Deductions, and Other Miscellaneous Deductions. Total Itemized Deductions: 63,005.

For Paperwork Reduction Act Notice, see Form 1040 instructions.

* Limited by AGI

Schedule A (Form 1040) 2006

**SCHEDULE C
(Form 1040)**

Profit or Loss From Business

(Sole Proprietorship)

OMB No. 1545-0074

2006

Attachment Sequence No. **09**

Department of the Treasury
Internal Revenue Service (99)

▶ Partnerships, joint ventures, etc., must file Form 1065 or Form 1065-B.

▶ Attach to Form 1040, 1040NR, or 1041. ▶ See Instructions for Schedule C (Form 1040).

Name of proprietor

Social security number (SSN)

KAREN S PENCE

A Principal business or profession, including product or service (see page C-2 of the instructions)
WATERCOLOR ARTIST

B Enter code from pages C-8, 9, & 10
▶ 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 2006? If "No," see page C-3 for limit on losses Yes No

H If you started or acquired this business during 2006, check here

Part I Income

1 Gross receipts or sales. Caution. If this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked, see page C-3 and check here <input type="checkbox"/>	1	<u>1,215</u>
2 Returns and allowances	2	
3 Subtract line 2 from line 1	3	<u>1,215</u>
4 Cost of goods sold (from line 42 on page 2)	4	
5 Gross profit. Subtract line 4 from line 3	5	<u>1,215</u>
6 Other income, including federal and state gasoline or fuel tax credit or refund (see page C-3)	6	
7 Gross income. Add lines 5 and 6	7	<u>1,215</u>

Part II Expenses. Enter expenses for business use of your home only on line 30.

8 Advertising	8		18 Office expense	18	
9 Car and truck expenses (see page C-4)	9		19 Pension and profit-sharing plans	19	
10 Commissions and fees	10		20 Rent or lease (see page C-5):		
11 Contract labor (see page C-4)	11		a Vehicles, machinery, and equipment	20a	
12 Depletion	12		b Other business property	20b	
13 Depreciation and section 179 expense deduction (not included in Part III) (see page C-4)	13		21 Repairs and maintenance	21	
14 Employee benefit programs (other than on line 19)	14		22 Supplies (not included in Part III)	22	<u>46</u>
15 Insurance (other than health)	15		23 Taxes and licenses	23	
16 Interest:			24 Travel, meals, and entertainment:		
a Mortgage (paid to banks, etc.)	16a		a Travel	24a	
b Other	16b		b Deductible meals and entertainment (see page C-6)	24b	
17 Legal and professional services	17	<u>650</u>	25 Utilities	25	
			26 Wages (less employment credits)	26	
			27 Other expenses (from line 48 on page 2)	27	<u>80</u>

28 **Total expenses before expenses for business use of home.** Add lines 8 through 27 in columns **28** 776

29 Tentative profit (loss). Subtract line 28 from line 7 **29** 439

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 (statutory employees, see page C-6). Estates and trusts, enter on Form 1041, line 3.
 • If a loss, you must go to line 32. **31** 439

32 If you have a loss, check the box that describes your investment in this activity (see page C-6).
 • If you checked 32a, enter the loss on both Form 1040, line 12, and Schedule SE, line 2 or on Form 1040NR, line 13 (statutory employees, see page C-6). Estates and trusts, enter on Form 1041, line 3.
 • If you checked 32b, you must attach Form 6198. Your loss may be limited.
32a All investment is at risk.
32b Some investment is not at risk.

For Paperwork Reduction Act Notice, see page C-8 of the instructions.

Schedule C (Form 1040) 2006

**SCHEDULE D
(Form 1040)**

Capital Gains and Losses

OMB No. 1545-0074

2006

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

Your social security number

MICHAEL R & KAREN S PENCE

[REDACTED]

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-6 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
					0

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-6 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-1 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
					19,536
					-19,536

For Paperwork Reduction Act Notice, see Form 1040 or Form 1040NR instructions.

Schedule D (Form 1040) 2006

Part III Summary

<p>16 Combine lines 7 and 15 and enter the result. If line 16 is a loss, skip lines 17 through 20, and go to line 21. If a gain, enter the gain on Form 1040, line 13, or Form 1040NR, line 14. Then go to line 17 below</p>	<p>16</p>	<p>-19,536</p>
<p>17 Are lines 15 and 16 both gains? <input type="checkbox"/> Yes. Go to line 18. <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>	<p>18</p>	
<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>	<p>19</p>	
<p>20 Are lines 18 and 19 both zero or blank? <input type="checkbox"/> Yes. Complete Form 1040 through line 43, or Form 1040NR through line 40. Then complete the Qualified Dividends and Capital Gain Tax Worksheet on page 38 of the Instructions for Form 1040 (or in the Instructions for Form 1040NR). Do not complete lines 21 and 22 below. <input type="checkbox"/> No. Complete Form 1040 through line 43, or Form 1040NR through line 40. 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: <ul style="list-style-type: none"> • The loss on line 16 or • (\$3,000), or if married filing separately, (\$1,500) </p>	<p>21</p>	<p>3,000</p>
<p>Note. When figuring which amount is smaller, treat both amounts as positive numbers.</p>		
<p>22 Do you have qualified dividends on Form 1040, line 9b, or Form 1040NR, line 10b? <input type="checkbox"/> Yes. Complete Form 1040 through line 43, or Form 1040NR through line 40. Then complete the Qualified Dividends and Capital Gain Tax Worksheet on page 38 of the Instructions for Form 1040 (or in the Instructions for Form 1040NR). <input checked="" type="checkbox"/> No. Complete the rest of Form 1040 or Form 1040NR.</p>		

Name(s) shown on return. Do not enter name and social security number if shown on other side.

Your social security number

MICHAEL R & KAREN S PENCE

Caution. The IRS compares amounts reported on your tax return with amounts shown on Schedule(s) K-1.

Part II Income or Loss From Partnerships and S Corporations Note. If you report a loss from an at-risk activity for which any amount is not at risk, you must check the box in column (e) on line 28 and attach Form 6198. See page E-1.

27 Are you reporting any loss not allowed in a prior year due to the at-risk or basis limitations, a prior year unallowed loss from a passive activity (if that loss was not reported on Form 8582), or unreimbursed partnership expenses? [] Yes [X] No

Table with 5 columns: (a) Name, (b) Enter P for partnership; S for S corporation, (c) Check if foreign partnership, (d) Employer identification number, (e) Check if any amount is not at risk. Row A: KIEL BROS. OIL COMPANY, S, [], [], [X].

Summary table for Part II with columns: (f) Passive loss allowed, (g) Passive income from Schedule K-1, (h) Nonpassive loss from Schedule K-1, (i) Section 179 expense deduction from Form 4562, (j) Nonpassive income from Schedule K-1. Totals: 29a, 29b, 30, 31, 32.

Part III Income or Loss From Estates and Trusts

Table with 2 columns: (a) Name, (b) Employer identification number. Rows A and B are empty.

Summary table for Part III with columns: (c) Passive deduction or loss allowed, (d) Passive income from Schedule K-1, (e) Deduction or loss from Schedule K-1, (f) Other income from Schedule K-1. Totals: 34a, 34b, 35, 36, 37.

Part IV Income or Loss From Real Estate Mortgage Investment Conduits (REMICs)-Residual Holder

Table with 5 columns: (a) Name, (b) Employer identification number, (c) Excess inclusion from Schedules Q, line 2c, (d) Taxable income (net loss) from Schedules Q, line 1b, (e) Income from Schedules Q, line 3b. Row 39: Combine columns (d) and (e) only.

Part V Summary

Summary table for Part V with rows 40-43. Row 40: Net farm rental income or (loss) from Form 4835. Row 41: Total income or (loss). Row 42: Reconciliation of farming and fishing income. Row 43: Reconciliation for real estate professionals.

**SCHEDULE SE
(Form 1040)**

Self-Employment Tax

OMB No. 1545-0074

2006

Attachment
Sequence No. **17**

Department of the Treasury
Internal Revenue Service (99)

▶ **Attach to Form 1040.** ▶ See instructions for Schedule SE (Form 1040).

Name of person with self-employment income (as shown on Form 1040)
KAREN S PENCE

Social security number of person
with self-employment income ▶

Who Must File Schedule SE

You must file Schedule SE if:

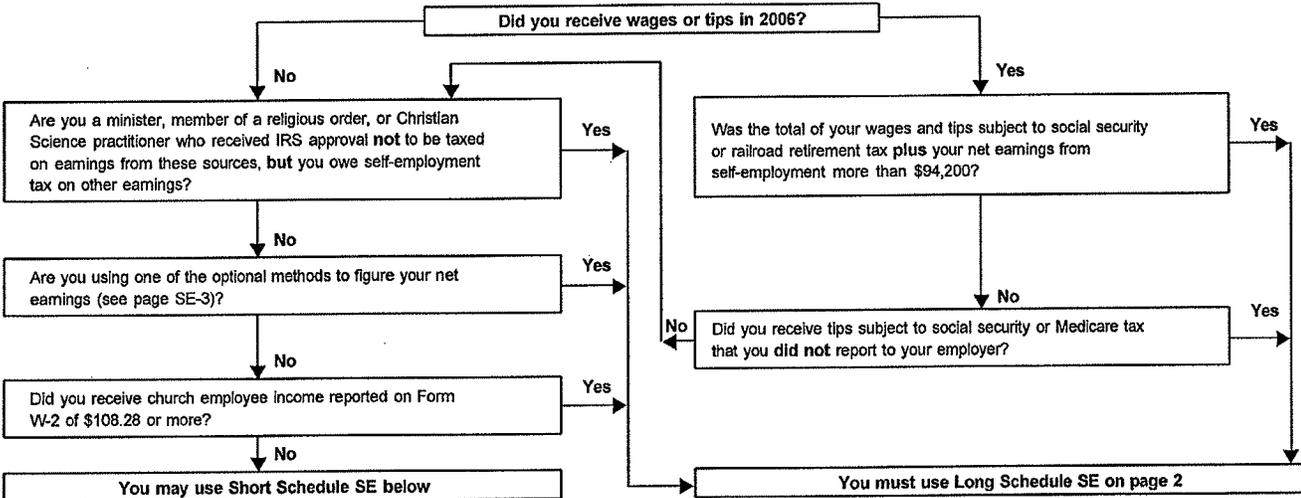
- You had net earnings from self-employment from **other than** church employee income (line 4 of Short Schedule SE or line 4c of Long Schedule SE) of \$400 or more, or
- You had church employee income of \$108.28 or more. Income from services you performed as a minister or a member of a religious order is **not** church employee income (see page SE-1).

Note. Even if you had a loss or a small amount of income from self-employment, it may be to your benefit to file Schedule SE and use either "optional method" in Part II of Long Schedule SE (see page SE-3).

Exception. If your only self-employment income was from earnings as a minister, member of a religious order, or Christian Science practitioner and you filed Form 4361 and received IRS approval not to be taxed on those earnings, **do not** file Schedule SE. Instead, write "Exempt-Form 4361" on Form 1040, line 58.

May I Use Short Schedule SE or Must I Use Long Schedule SE?

Note. Use this flowchart **only** if you must file Schedule SE. If unsure, see Who Must File Schedule SE, above.



Section A-Short Schedule SE. Caution. Read above to see if you can use Short Schedule SE.

1	Net farm profit or (loss) from Schedule F, line 36, and farm partnerships, Schedule K-1 (Form 1065), box 14, code A	1	
2	Net profit or (loss) from Schedule C, line 31; Schedule C-EZ, line 3; Schedule K-1 (Form 1065), box 14, code A (other than farming); and Schedule K-1 (Form 1065-B), box 9, code J1. Ministers and members of religious orders, see page SE-1 for amounts to report on this line. See page SE-3 for other income to report	2	1,439
3	Combine lines 1 and 2	3	1,439
4	Net earnings from self-employment. Multiply line 3 by 92.35% (.9235). If less than \$400, do not file this schedule; you do not owe self-employment tax	4	1,329
5	Self-employment tax. If the amount on line 4 is: ● \$94,200 or less, multiply line 4 by 15.3% (.153). Enter the result here and on Form 1040, line 58. ● More than \$94,200, multiply line 4 by 2.9% (.029). Then, add \$11,680.80 to the result. Enter the total here and on Form 1040, line 58.	5	203
6	Deduction for one-half of self-employment tax. Multiply line 5 by 50% (.5). Enter the result here and on Form 1040, line 27	6	102

For Paperwork Reduction Act Notice, see Form 1040 instructions.

Schedule SE (Form 1040) 2006

Form **4797**

Sales of Business Property
(Also Involuntary Conversions and Recapture Amounts
Under Sections 179 and 280F(b)(2))

OMB No. 1545-0184

2006

Attachment
Sequence No. **27**

Department of the Treasury
Internal Revenue Service (99)

▶ Attach to your tax return. ▶ See separate instructions.

Name(s) shown on return

Identifying number

MICHAEL R & KAREN S PENCE



1 Enter the gross proceeds from sales or exchanges reported to you for 2006 on Form(s) 1099-B or 1099-S (or substitute statement) that you are including on line 2, 10, or 20 (see instructions)

1

Part I Sales or Exchanges of Property Used in a Trade or Business and Involuntary Conversions From Other Than Casualty or Theft—Most Property Held More Than 1 Year (see instructions)

(a) Description of property	(b) Date acquired (mo., day, yr.)	(c) Date sold (mo., day, yr.)	(d) Gross sales price	(e) Depreciation allowed or allowable since acquisition	(f) Cost or other basis, plus improvements and expense of sale	(g) Gain or (loss) Subtract (f) from the sum of (d) and (e)
At-Risk Adjustment						456
Prior Year At-Risk Losses						-456

3 Gain, if any, from Form 4684, line 42	3	
4 Section 1231 gain from installment sales from Form 6252, line 26 or 37	4	
5 Section 1231 gain or (loss) from like-kind exchanges from Form 8824	5	
6 Gain, if any, from line 32, from other than casualty or theft	6	
7 Combine lines 2 through 6. Enter the gain or (loss) here and on the appropriate line as follows: Partnerships (except electing large partnerships) and S corporations. Report the gain or (loss) following the instructions for Form 1065, Schedule K, line 10, or Form 1120S, Schedule K, line 9. Skip lines 8, 9, 11, and 12 below. Individuals, partners, S corporation shareholders, and all others. If line 7 is zero or a loss, enter the amount from line 7 on line 11 below and skip lines 8 and 9. If line 7 is a gain and you did not have any prior year section 1231 losses, or they were recaptured in an earlier year, enter the gain from line 7 as a long-term capital gain on the Schedule D filed with your return and skip lines 8, 9, 11, and 12 below.	7	0
8 Nonrecaptured net section 1231 losses from prior years (see instructions)	8	
9 Subtract line 8 from line 7. If zero or less, enter -0-. If line 9 is zero, enter the gain from line 7 on line 12 below. If line 9 is more than zero, enter the amount from line 8 on line 12 below and enter the gain from line 9 as a long-term capital gain on the Schedule D filed with your return (see instructions)	9	

Part II Ordinary Gains and Losses (see instructions)

10 Ordinary gains and losses not included on lines 11 through 16 (include property held 1 year or less):						

11 Loss, if any, from line 7	11	()
12 Gain, if any, from line 7 or amount from line 8, if applicable	12	
13 Gain, if any, from line 31	13	
14 Net gain or (loss) from Form 4684, lines 34 and 41a	14	
15 Ordinary gain from installment sales from Form 6252, line 25 or 36	15	
16 Ordinary gain or (loss) from like-kind exchanges from Form 8824	16	
17 Combine lines 10 through 16	17	
18 For all except individual returns, enter the amount from line 17 on the appropriate line of your return and skip lines a and b below. For individual returns, complete lines a and b below: a If the loss on line 11 includes a loss from Form 4684, line 38, column (b)(ii), enter that part of the loss here. Enter the part of the loss from income-producing property on Schedule A (Form 1040), line 27, and the part of the loss from property used as an employee on Schedule A (Form 1040), line 22. Identify as from "Form 4797, line 18a." See instructions	18a	
b Redetermine the gain or (loss) on line 17 excluding the loss, if any, on line 18a. Enter here and on Form 1040, line 14	18b	

For Paperwork Reduction Act Notice, see separate instructions.

Form **4797** (2006)

There are no amounts for Page 2

Form **6198**

At-Risk Limitations

OMB No. 1545-0712

2006

Attachment Sequence No. **31**

Department of the Treasury
Internal Revenue Service

- ▶ Attach to your tax return.
- ▶ See separate instructions.

Name(s) shown on return

Identifying number

MICHAEL R & KAREN S PENCE

Description of activity (see page 2 of the instructions)

KIEL BROS. OIL COMPANY

Part I Current Year Profit (Loss) From the Activity, Including Prior Year Nondeductible Amounts
(see page 2 of the instructions).

1	Ordinary income (loss) from the activity (see page 2 of the instructions)	1	-672,967
2	Gain (loss) from the sale or other disposition of assets used in the activity (or of your interest in the activity) that you are reporting on:		
a	Schedule D	2a	
b	Form 4797	2b	-456
c	Other form or schedule	2c	
3	Other income and gains from the activity, from Schedule K-1 of Form 1065, Form 1065-B, or Form 1120S, that were not included on lines 1 through 2c	3	
4	Other deductions and losses from the activity, including investment interest expense allowed from Form 4952, that were not included on lines 1 through 2c	4	374)
5	Current year profit (loss) from the activity. Combine lines 1 through 4. See page 3 of the instructions before completing the rest of this form	5	-673,797

Part II Simplified Computation of Amount At Risk. See page 3 of the instructions before completing this part.

6	Adjusted basis (as defined in section 1011) in the activity (or in your interest in the activity) on the first day of the tax year. Do not enter less than zero	6	
7	Increases for the tax year (see page 3 of the instructions)	7	
8	Add lines 6 and 7	8	
9	Decreases for the tax year (see page 4 of the instructions)	9	
10a	Subtract line 9 from line 8	10a	
b	If line 10a is more than zero, enter that amount here and go to line 20 (or complete Part III). Otherwise, enter -0- and see Pub. 925 for information on the recapture rules	10b	0

Part III Detailed Computation of Amount At Risk. If you completed Part III of Form 6198 for 2005, see page 4 of the instructions.

11	Investment in the activity (or in your interest in the activity) at the effective date. Do not enter less than zero	11	
12	Increases at effective date	12	
13	Add lines 11 and 12	13	
14	Decreases at effective date	14	
15	Amount at risk (check box that applies):		
a	<input type="checkbox"/> At effective date. Subtract line 14 from line 13. Do not enter less than zero.	15	
b	<input type="checkbox"/> From 2005 Form 6198, line 19b. Do not enter the amount from line 10b of the 2005 form.		
16	Increases since (check box that applies):		
a	<input type="checkbox"/> Effective date	16	
b	<input type="checkbox"/> The end of your 2005 tax year	17	
17	Add lines 15 and 16		
18	Decreases since (check box that applies):		
a	<input type="checkbox"/> Effective date	18	
b	<input type="checkbox"/> The end of your 2005 tax year		
19a	Subtract line 18 from line 17	19a	
b	If line 19a is more than zero, enter that amount here and go to line 20. Otherwise, enter -0- and see Pub. 925 for information on the recapture rules	19b	0

Part IV Deductible Loss

20	Amount at risk. Enter the larger of line 10b or line 19b	20	
21	Deductible loss. Enter the smaller of the line 5 loss (treated as a positive number) or line 20. See page 7 of the instructions to find out how to report any deductible loss and any carryover	21	0)

Note: If the loss is from a passive activity, see the Instructions for **Form 8582**, Passive Activity Loss Limitations, or the Instructions for **Form 8810**, Corporate Passive Activity Loss and Credit Limitations, to find out if the loss is allowed under the passive activity rules. If only part of the loss is subject to the passive activity loss rules, report only that part on Form 8582 or Form 8810, whichever applies.

For Paperwork Reduction Act Notice, see page 8 of the instructions.

Form **6198** (2006)

Form **6198**

AMT Version
At-Risk Limitations

OMB No. 1545-0712

2006

Attachment
Sequence No. **31**

Department of the Treasury
Internal Revenue Service

- ▶ Attach to your tax return.
- ▶ See separate instructions.

Name(s) shown on return

Identifying number

MICHAEL R & KAREN S PENCE

Description of activity (see page 2 of the instructions)

KIEL BROS. OIL COMPANY

Part I Current Year Profit (Loss) From the Activity, Including Prior Year Nondeductible Amounts
(see page 2 of the instructions).

1	Ordinary income (loss) from the activity (see page 2 of the instructions)	1	-619,149
2	Gain (loss) from the sale or other disposition of assets used in the activity (or of your interest in the activity) that you are reporting on:		
a	Schedule D	2a	
b	Form 4797	2b	-256,090
c	Other form or schedule	2c	
3	Other income and gains from the activity, from Schedule K-1 of Form 1065, Form 1065-B, or Form 1120S, that were not included on lines 1 through 2c	3	
4	Other deductions and losses from the activity, including investment interest expense allowed from Form 4952, that were not included on lines 1 through 2c	4	(373)
5	Current year profit (loss) from the activity. Combine lines 1 through 4. See page 3 of the instructions before completing the rest of this form	5	-875,612

Part II Simplified Computation of Amount At Risk. See page 3 of the instructions before completing this part.

6	Adjusted basis (as defined in section 1011) in the activity (or in your interest in the activity) on the first day of the tax year. Do not enter less than zero	6	
7	Increases for the tax year (see page 3 of the instructions)	7	
8	Add lines 6 and 7	8	
9	Decreases for the tax year (see page 4 of the instructions)	9	
10a	Subtract line 9 from line 8	10a	
b	If line 10a is more than zero, enter that amount here and go to line 20 (or complete Part III). Otherwise, enter -0- and see Pub. 925 for information on the recapture rules	10b	0

Part III Detailed Computation of Amount At Risk. If you completed Part III of Form 6198 for 2005, see page 4 of the instructions.

11	Investment in the activity (or in your interest in the activity) at the effective date. Do not enter less than zero	11	
12	Increases at effective date	12	
13	Add lines 11 and 12	13	
14	Decreases at effective date	14	
15	Amount at risk (check box that applies):	15	
a	<input type="checkbox"/> At effective date. Subtract line 14 from line 13. Do not enter less than zero.		
b	<input type="checkbox"/> From 2005 Form 6198, line 19b. Do not enter the amount from line 10b of the 2005 form.		
16	Increases since (check box that applies):	16	
a	<input type="checkbox"/> Effective date		
b	<input type="checkbox"/> The end of your 2005 tax year		
17	Add lines 15 and 16	17	
18	Decreases since (check box that applies):	18	
a	<input type="checkbox"/> Effective date		
b	<input type="checkbox"/> The end of your 2005 tax year		
19a	Subtract line 18 from line 17	19a	
b	If line 19a is more than zero, enter that amount here and go to line 20. Otherwise, enter -0- and see Pub. 925 for information on the recapture rules	19b	0

Part IV Deductible Loss

20	Amount at risk. Enter the larger of line 10b or line 19b	20	
21	Deductible loss. Enter the smaller of the line 5 loss (treated as a positive number) or line 20. See page 7 of the instructions to find out how to report any deductible loss and any carryover	21	(0)

Note: If the loss is from a passive activity, see the Instructions for Form 8582, Passive Activity Loss Limitations, or the Instructions for Form 8810, Corporate Passive Activity Loss and Credit Limitations, to find out if the loss is allowed under the passive activity rules. If only part of the loss is subject to the passive activity loss rules, report only that part on Form 8582 or Form 8810, whichever applies.

For Paperwork Reduction Act Notice, see page 8 of the instructions.

Form **6198** (2006)

Form **6251**

Alternative Minimum Tax-Individuals

OMB No. 1545-0074

▶ See separate instructions.

2006

Department of the Treasury
Internal Revenue Service (99)

▶ Attach to Form 1040 or Form 1040NR.

Attachment
Sequence No. **32**

Name(s) shown on Form 1040 or Form 1040NR

Your social security number

MICHAEL R & KAREN S PENCE

Part I Alternative Minimum Taxable Income (See instructions for how to complete each line.)

1	If filing Schedule A (Form 1040), enter the amount from Form 1040, line 41 (minus any amount on Form 8914, line 6), and go to line 2. Otherwise, enter the amount from Form 1040, line 38 (minus any amount on Form 8914, line 6), and go to line 7. (If less than zero, enter as a negative amount.)	1	96,479
2	Medical and dental. Enter the smaller of Schedule A (Form 1040), line 4, or 2 1/2% of Form 1040, line 38	2	
3	Taxes from Schedule A (Form 1040), line 9	3	15,757
4	Enter the home mortgage interest adjustment, if any, from line 6 of the worksheet on page 2 of the instructions	4	
5	Miscellaneous deductions from Schedule A (Form 1040), line 26	5	3,000
6	If Form 1040, line 38, is over \$150,500 (over \$75,250 if married filing separately), enter the amount from line 11 of the Itemized Deductions Worksheet on page A-7 of the instructions for Schedule A (Form 1040)	6	180
7	Tax refund from Form 1040, line 10 or line 21	7	
8	Investment interest expense (difference between regular tax and AMT)	8	
9	Depletion (difference between regular tax and AMT)	9	
10	Net operating loss deduction from Form 1040, line 21. Enter as a positive amount	10	
11	Interest from specified private activity bonds exempt from the regular tax	11	
12	Qualified small business stock (7% of gain excluded under section 1202)	12	
13	Exercise of incentive stock options (excess of AMT income over regular tax income)	13	
14	Estates and trusts (amount from Schedule K-1 (Form 1041), box 12, code A)	14	
15	Electing large partnerships (amount from Schedule K-1 (Form 1065-B), box 6)	15	
16	Disposition of property (difference between AMT and regular tax gain or loss)	16	
17	Depreciation on assets placed in service after 1986 (difference between regular tax and AMT)	17	
18	Passive activities (difference between AMT and regular tax income or loss)	18	
19	Loss limitations (difference between AMT and regular tax income or loss)	19	0
20	Circulation costs (difference between regular tax and AMT)	20	
21	Long-term contracts (difference between AMT and regular tax income)	21	
22	Mining costs (difference between regular tax and AMT)	22	
23	Research and experimental costs (difference between regular tax and AMT)	23	
24	Income from certain installment sales before January 1, 1987	24	
25	Intangible drilling costs preference	25	
26	Other adjustments, including income-based related adjustments	26	
27	Alternative tax net operating loss deduction	27	
28	Alternative minimum taxable income. Combine lines 1 through 27. (If married filing separately and line 28 is more than \$200,100, see page 7 of the instructions.)	28	115,056

Part II Alternative Minimum Tax

29	Exemption. (If this form is for a child under age 18, see page 7 of the instructions.)																
	<table border="0"> <tr> <td>IF your filing status is . . .</td> <td>AND line 28 is not over...</td> <td>THEN enter on line 29...</td> <td></td> </tr> <tr> <td>Single or head of household</td> <td>\$112,500</td> <td>\$42,500</td> <td rowspan="3">} ▶</td> </tr> <tr> <td>Married filing jointly or qualifying widow(er)</td> <td>150,000</td> <td>62,550</td> </tr> <tr> <td>Married filing separately</td> <td>75,000</td> <td>31,275</td> </tr> </table>	IF your filing status is . . .	AND line 28 is not over...	THEN enter on line 29...		Single or head of household	\$112,500	\$42,500	} ▶	Married filing jointly or qualifying widow(er)	150,000	62,550	Married filing separately	75,000	31,275	29	62,550
IF your filing status is . . .	AND line 28 is not over...	THEN enter on line 29...															
Single or head of household	\$112,500	\$42,500	} ▶														
Married filing jointly or qualifying widow(er)	150,000	62,550															
Married filing separately	75,000	31,275															
	If line 28 is over the amount shown above for your filing status, see page 7 of the instructions.																
30	Subtract line 29 from line 28. If more than zero or you are filing Form 2555 or 2555-EZ, go to line 31. If zero or less and you are not filing Form 2555 or 2555-EZ, enter -0- on lines 33 and 35 and skip the rest of Part II	30	52,506														
31	<ul style="list-style-type: none"> If you are filing Form 2555 or 2555-EZ, see page 8 of the instructions for the amount to enter. If you reported capital gain distributions directly on Form 1040, line 13; you reported qualified dividends on Form 1040, line 9b; or you had a gain on both lines 15 and 16 of Schedule D (Form 1040) (as refigured for the AMT, if necessary), complete Part III on the back and enter the amount from line 55 here. All others: If line 30 is \$175,000 or less (\$87,500 or less if married filing separately), multiply line 30 by 26% (.26). Otherwise, multiply line 30 by 28% (.28) and subtract \$3,500 (\$1,750 if married filing separately) from the result. 	31	13,652														
32	Alternative minimum tax foreign tax credit (see page 8 of the instructions)	32															
33	Tentative minimum tax. Subtract line 32 from line 31	33	13,652														
34	Tax from Form 1040, line 44 (minus any tax from Form 4972 and any foreign tax credit from Form 1040, line 47). If you used Schedule J to figure your tax, the amount for line 44 of Form 1040 must be refigured without using Schedule J (see page 9 of the instructions)	34	13,109														
35	Alternative minimum tax. Subtract line 34 from line 33. If zero or less, enter -0-. Enter here and on Form 1040, line 45	35	543														

For Paperwork Reduction Act Notice, see page 10 of the instructions.

Form **6251** (2006)

Form **8606**

Nondeductible IRAs

OMB No. 1545-0074

2006

Attachment Sequence No. **48**

Department of the Treasury
Internal Revenue Service (99)

▶ See separate instructions.

▶ Attach to Form 1040, Form 1040A, or Form 1040NR.

Name. If married, file a separate form for each spouse required to file Form 8606. See page 5 of the instructions.

Your social security number

KAREN S PENCE

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 2006.
- You took distributions from a traditional, SEP, or SIMPLE IRA in 2006 and you made nondeductible contributions to a traditional IRA in 2006 or an earlier year. For this purpose, a distribution does not include a rollover (other than a repayment of a qualified hurricane distribution), qualified charitable distribution, conversion, recharacterization, or return of certain contributions.
- You converted part, but not all, of your traditional, SEP, and SIMPLE IRAs to Roth IRAs in 2006 (excluding any portion you recharacterized) and you made nondeductible contributions to a traditional IRA in 2006 or an earlier year.

1 Enter your nondeductible contributions to traditional IRAs for 2006, including those made for 2006 from January 1, 2007, through April 16, 2007 (see page 5 of the instructions)		1				
2 Enter your total basis in traditional IRAs (see page 5 of the instructions)		2				
3 Add lines 1 and 2		3				
<table border="0"> <tr> <td style="border: 1px solid black; padding: 5px;"> In 2006, did you take a distribution from traditional, SEP, or SIMPLE IRAs, or make a Roth IRA conversion? </td> <td style="padding: 5px;"> No → Enter the amount from line 3 on line 14. Do not complete the rest of Part I. </td> </tr> <tr> <td style="border: 1px solid black; padding: 5px;"></td> <td style="padding: 5px;"> Yes → Go to line 4. </td> </tr> </table>			In 2006, 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.
In 2006, 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, 2007, through April 16, 2007		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, 2006, plus any outstanding rollovers. Subtract any repayments of qualified hurricane distributions. If the result is zero or less, enter -0- (see page 5 of the instructions)	6					
7 Enter your distributions from traditional, SEP, and SIMPLE IRAs in 2006. Do not include rollovers (other than repayments of qualified hurricane distributions), qualified charitable distributions, conversions to a Roth IRA, certain returned contributions, or recharacterizations of traditional IRA contributions (see page 6 of the instructions)	7					
8 Enter the net amount you converted from traditional, SEP, and SIMPLE IRAs to Roth IRAs in 2006. Do not include amounts converted that you later recharacterized (see page 6 of the 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 2006 and earlier years		14				
15a Subtract line 12 from line 7		15a				
b Amount on line 15a attributable to qualified hurricane distributions (see page 6 of the instructions). Also enter this amount on Form 8915, line 22		15b				
c Taxable amount. Subtract line 15b from line 15a. If more than zero, also include this amount on Form 1040, line 15b; Form 1040A, line 11b; or Form 1040NR, line 16b		15c				
Note: You may be subject to an additional 10% tax on the amount on line 15c if you were under age 59 1/2 at the time of the distribution (see page 6 of the instructions).						

For Privacy Act and Paperwork Reduction Act Notice, see page 8 of the instructions.

Form **8606** (2006)

Part II 2006 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 2006 (excluding any portion you recharacterized).

Caution: If your modified adjusted gross income is over \$100,000 or you are married filing separately and you lived with your spouse at any time in 2006, you **cannot** convert any amount from traditional, SEP, or SIMPLE IRAs to Roth IRAs for 2006. If you erroneously made a conversion, you must recharacterize (correct) it (see page 6 of the instructions).

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 2006. Do not include amounts you later recharacterized back to traditional, SEP, or SIMPLE IRAs in 2006 or 2007 (see page 7 of the 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 page 7 of the instructions)	17	
18 Taxable amount. Subtract line 17 from line 16. Also include this amount on Form 1040, line 15b; Form 1040A, line 11b; or Form 1040NR, line 16b	18	

Part III Distributions From Roth IRAs

Complete this part only if you took a distribution from a Roth IRA in 2006. For this purpose, a distribution does not include a rollover (other than a repayment of a qualified hurricane distribution), qualified charitable distribution, recharacterization, or return of certain contributions (see page 7 of the instructions).

19 Enter your total nonqualified distributions from Roth IRAs in 2006 including any qualified first-time homebuyer distributions (see page 7 of the instructions)	19	
20 Qualified first-time homebuyer expenses (see page 7 of the instructions). Do not enter more than \$10,000	20	
21 Subtract line 20 from line 19. If zero or less, enter -0- and skip lines 22 through 25	21	
22 Enter your basis in Roth IRA contributions (see page 7 of the instructions)	22	1,540
23 Subtract line 22 from line 21. If zero or less, enter -0- and skip lines 24 and 25. If more than zero, you may be subject to an additional tax (see page 7 of the instructions)	23	
24 Enter your basis in Roth IRA conversions (see page 7 of the instructions)	24	
25a Subtract line 24 from line 23. If zero or less, enter -0- and skip lines 25b and 25c	25a	
b Amount on line 25a attributable to qualified hurricane distributions (see page 8 of the instructions). Also enter this amount on Form 8915, line 23	25b	
c Taxable amount. Subtract line 25b from line 25a. If more than zero, also include this amount on Form 1040, line 15b; Form 1040A, line 11b; or Form 1040NR, line 16b	25c	0

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.

Your signature

Date

Paid Preparer's Use Only	Preparer's signature	Date	Check if self-employed <input type="checkbox"/>	Preparer's SSN or PTIN
	Firm's name (or yours if self-employed), address, and ZIP code	EIN		Phone no.

Form **2106**

Employee Business Expenses

OMB No. 1545-0074

▶ See separate instructions.

2006

Department of the Treasury
Internal Revenue Service (99)

▶ Attach to Form 1040 or Form 1040NR.

Attachment
Sequence No. **54**

Your name MICHAEL R PENCE	Occupation in which you incurred expenses CONGRESS	Social security number [REDACTED]
-------------------------------------	--	---

Part I Employee Business Expenses and Reimbursements

	Column A Other Than Meals and Entertainment	Column B Meals and Entertainment
Step 1 Enter Your Expenses		
1 Vehicle expense from line 22 or line 29. (Rural mail carriers: See instructions.)	1	
2 Parking fees, tolls, and transportation, including train, bus, etc., that did not involve overnight travel or commuting to and from work	2	
3 Travel expense while away from home overnight, including lodging, airplane, car rental, etc. Do not include meals and entertainment	3	
4 Business expenses not included on lines 1 through 3. Do not include meals and entertainment	4	3,000
5 Meals and entertainment expenses (see instructions)	5	
6 Total expenses. In Column A, add lines 1 through 4 and enter the result. In Column B, enter the amount from line 5	6	3,000

Note: If you were not reimbursed for any expenses in Step 1, skip line 7 and enter the amount from line 6 on line 8.

Step 2 Enter Reimbursements Received From Your Employer for Expenses Listed in Step 1

7 Enter reimbursements received from your employer that were not reported to you in box 1 of Form W-2. Include any reimbursements reported under code "L" in box 12 of your Form W-2 (see instructions)	7	
---	---	--

Step 3 Figure Expenses To Deduct on Schedule A (Form 1040)

8 Subtract line 7 from line 6. If zero or less, enter -0-. However, if line 7 is greater than line 6 in Column A, report the excess as income on Form 1040, line 7 (or on Form 1040NR, line 8)	8	3,000
Note: If both columns of line 8 are zero, you cannot deduct employee business expenses. Stop here and attach Form 2106 to your return.		
9 In Column A, enter the amount from line 8. In Column B, multiply line 8 by 50% (.50). (Employees subject to Department of Transportation (DOT) hours of service limits: Multiply meal expenses incurred while away from home on business by 75% (.75) instead of 50%. For details, see instructions.)	9	3,000
10 Add the amounts on line 9 of both columns and enter the total here. Also, enter the total on Schedule A (Form 1040), line 20 (or on Schedule A (Form 1040NR), line 9). (Reservists, qualified performing artists, fee-basis state or local government officials, and individuals with disabilities: See the instructions for special rules on where to enter the total.)	10	3,000

For Paperwork Reduction Act Notice, see instructions.

Form **2106** (2006)

Form **8801**

**Credit for Prior Year Minimum Tax-
Individuals, Estates, and Trusts**

OMB No. 1545-1073

2006

Department of the Treasury
Internal Revenue Service (99)

▶ See separate instructions.

Attachment
Sequence No. **74**

▶ Attach to Form 1040, 1040NR, or 1041.

Name(s) shown on return

Identifying number

MICHAEL R & KAREN S PENCE

Part I Net Minimum Tax on Exclusion Items

1	Combine lines 1, 6, and 10 of your 2005 Form 6251. Estates and trusts, see instructions	81,164
2	Enter adjustments and preferences treated as exclusion items (see instructions)	16,910
3	Minimum tax credit net operating loss deduction (see instructions)	
4	Combine lines 1, 2, and 3. If zero or less, enter -0- here and on line 15 and go to Part II. If more than \$191,000 and you were married filing separately for 2005, see instructions	98,074
5	Enter: \$58,000 if married filing jointly or qualifying widow(er) for 2005; \$40,250 if single or head of household for 2005; or \$29,000 if married filing separately for 2005. Estates and trusts, enter \$22,500	58,000
6	Enter: \$150,000 if married filing jointly or qualifying widow(er) for 2005; \$112,500 if single or head of household for 2005; or \$75,000 if married filing separately for 2005. Estates and trusts, enter \$75,000	150,000
7	Subtract line 6 from line 4. If zero or less, enter -0- here and on line 8 and go to line 9	0
8	Multiply line 7 by 25% (.25)	0
9	Subtract line 8 from line 5. If zero or less, enter -0-. If this form is for a child under age 14, see instructions	58,000
10	Subtract line 9 from line 4. If zero or less, enter -0- here and on line 15 and go to Part II. Form 1040NR filers, see instructions	40,074
11	<ul style="list-style-type: none"> ● If for 2005 you reported capital gain distributions directly on Form 1040, line 13; you reported qualified dividends on Form 1040, line 9b (Form 1041, line 2b(2)); or you had a gain on both lines 15 and 16 of Schedule D (Form 1040) (lines 14a and 15, column (2), of Schedule D (Form 1041)), complete Part III of Form 8801 and enter the amount from line 46 here. ● All others: If line 10 is \$175,000 or less (\$87,500 or less if married filing separately for 2005), multiply line 10 by 26% (.26). Otherwise, multiply line 10 by 28% (.28) and subtract \$3,500 (\$1,750 if married filing separately for 2005) from the result. 	10,419
12	Minimum tax foreign tax credit on exclusion items (see instructions)	
13	Tentative minimum tax on exclusion items. Subtract line 12 from line 11	10,419
14	Enter the amount from your 2005 Form 6251, line 34, or 2005 Form 1041, Schedule I, line 55	9,699
15	Net minimum tax on exclusion items. Subtract line 14 from line 13. If zero or less, enter -0-	720

Part II Minimum Tax Credit and Carryforward to 2007

16	Enter the amount from your 2005 Form 6251, line 35, or 2005 Form 1041, Schedule I, line 56	720
17	Enter the amount from line 15 above	720
18	Subtract line 17 from line 16. If less than zero, enter as a negative amount	
19	2005 minimum tax credit carryforward. Enter the amount from your 2005 Form 8801, line 26	846
20	Enter the total of your 2005 unallowed nonconventional source fuel credit and 2005 unallowed qualified electric vehicle credit (see instructions)	
21	Combine lines 18, 19, and 20. If zero or less, stop here and see instructions	846
22	Enter your 2006 regular income tax liability minus allowable credits (see instructions)	12,609
23	Enter the amount from your 2006 Form 6251, line 33, or 2006 Form 1041, Schedule I, line 54	13,652
24	Subtract line 23 from line 22. If zero or less, enter -0-	0
25	Minimum tax credit. Enter the smaller of line 21 or line 24. Also enter this amount on your 2006 Form 1040, line 55; Form 1040NR, line 50; or Form 1041, Schedule G, line 2d	
26	Minimum tax credit carryforward to 2007. Subtract line 25 from line 21. Keep a record of this amount because you may use it in future years	846

For Paperwork Reduction Act Notice, see page 4 of the instructions.

Form **8801** (2006)

Form **1040****Capital Loss Carryover Worksheets****2006**

Name

MICHAEL R & KAREN S PENCE

Taxpayer Identification Number

2005 to 2006 Capital Loss Carryover Worksheet

Use this worksheet to figure your capital loss carryovers from 2005 to 2006 if your 2005 Schedule D, Line 21, is a loss and that loss is a smaller loss (a) than the loss on your 2005 Schedule D, line 16, or (b) the amount on your 2005 Form 1040, line 41 (or your 2005 Form 1040NR, line 38, if applicable), reduced by any amount on your 2005 Form 8914, line 2, is less than zero. Otherwise, you do not have any carryovers.

- | | | |
|---|-----|---------------|
| 1. Enter the amount from your 2005 Form 1040, line 41, or form 1040NR, line 38. If a loss, enclose the amount in parentheses | 1. | <u>81,470</u> |
| 2. Did you file Form 8914 (to claim an exemption amount for housing someone displaced by Hurricane Katrina) for 2005? | | |
| <input checked="" type="checkbox"/> No. Enter -0- | | |
| <input type="checkbox"/> Yes. Enter the amount from your 2005 Form 8914, line 2 | 2. | _____ |
| 3. Subtract line 2 from line 1. If the result is less than zero, enclose it in parentheses | 3. | <u>81,470</u> |
| 4. Enter the loss from your 2005 Schedule D, line 21, as a positive amount | 4. | <u>3,000</u> |
| 5. Combine lines 3 and 4. If zero or less, enter -0- | 5. | <u>84,470</u> |
| 6. Enter the smaller of line 4 or line 5 | 6. | <u>3,000</u> |
| If line 7 of your 2005 Schedule D is a loss, go to line 7; otherwise, enter -0- on line 7 and go to line 11. | | |
| 7. Enter the loss from your 2005 Schedule D, line 7, as a positive amount | 7. | _____ |
| 8. Enter the gain from your 2005 Schedule D, line 15. If a loss enter -0- | 8. | _____ |
| 9. Add lines 6 and 8 | 9. | _____ |
| 10. Short-term capital loss carryover for 2006. Subtract line 9 from line 7. If zero or less, enter -0-. If more than zero, also enter on Schedule D, Line 6 | 10. | _____ |
| If line 15 of your 2005 Schedule D is a loss, go to line 11; otherwise, skip lines 11 through 15. | | |
| 11. Enter the loss from your 2005 Schedule D, line 15, as a positive amount | 11. | <u>22,536</u> |
| 12. Enter the gain, if any, from your 2005 Schedule D, line 7. If a loss enter -0- | 12. | _____ |
| 13. Subtract line 7 from line 6. If zero or less, enter -0- | 13. | <u>3,000</u> |
| 14. Add lines 12 and 13 | 14. | <u>3,000</u> |
| 15. Long-term capital loss carryover for 2006. Subtract line 14 from line 11. If zero or less, enter -0-. If more than zero, also enter this amount on Schedule D, line 14 | 15. | <u>19,536</u> |

2006 to 2007 Capital Loss Carryover Worksheet

Use this worksheet to figure your capital loss carryovers from 2006 to 2007 if Schedule D, Line 21, is a loss and (a) that loss is a smaller loss than the loss on Schedule D, line 16, or (b) Form 1040, line 41 is a loss, reduced by any amount on your Form 8914, line 6, is less than zero. Otherwise, you do not have any carryovers.

- | | | |
|---|-----|---------------|
| 1. Enter the amount from Form 1040, line 41. If a loss, enclose the amount in parentheses | 1. | <u>96,479</u> |
| 2. Did you file Form 8914 (to claim an exemption amount for housing someone displaced by Hurricane Katrina) for 2005? | | |
| <input checked="" type="checkbox"/> No. Enter -0- | | |
| <input type="checkbox"/> Yes. Enter the amount from your Form 8914, line 6 | 2. | _____ |
| 3. Subtract line 2 from line 1. If the result is less than zero, enclose it in parentheses | 3. | <u>96,479</u> |
| 4. Enter the loss from Schedule D, line 21, as a positive amount | 4. | <u>3,000</u> |
| 5. Combine lines 3 and 4. If zero or less, enter -0- | 5. | <u>99,479</u> |
| 6. Enter the smaller of line 4 or line 5 | 6. | <u>3,000</u> |
| If line 7 of Schedule D is a loss, go to line 7; otherwise, enter -0- on line 7 and go to line 11. | | |
| 7. Enter the loss from Schedule D, line 7, as a positive amount | 7. | _____ |
| 8. Enter any gain from Schedule D, line 15. If a loss, enter -0- | 8. | _____ |
| 9. Add lines 6 and 8 | 9. | _____ |
| 10. Short-term capital loss carryover to 2007. Subtract line 9 from line 7. If zero or less, enter -0- | 10. | _____ |
| If line 15 of Schedule D is a loss, go to line 11; otherwise, skip lines 11 through 15. | | |
| 11. Enter the loss from Schedule D, line 15, as a positive amount | 11. | <u>19,536</u> |
| 12. Enter the gain, if any, from Schedule D, line 7. If a loss, enter -0- | 12. | _____ |
| 13. Subtract line 7 from line 6. If zero or less, enter -0- | 13. | <u>3,000</u> |
| 14. Add lines 12 and 13 | 14. | <u>3,000</u> |
| 15. Long-term capital loss carryover to 2007. Subtract line 14 from line 11. If zero or less, enter -0- | 15. | <u>16,536</u> |

Form **1040****General Sales Tax Deduction Worksheet****2006**

Name as shown on return

Taxpayer Identification Number

MICHAEL R & KAREN S PENCE

State of

Locality of

Virginia

General Sales Tax from IRS Tables

- | | | |
|--|----|----------------|
| 1. Enter the amount of adjusted gross income (AGI) from Form 1040, Line 37 | 1. | <u>159,484</u> |
| 2. Add the nontaxable amounts from Form 1040, lines 8b, 15a, 16a, 20a (Exclude rollovers and tax-free Sec. 1035 exchanges) | 2. | _____ |
| 3. Add the nontaxable amounts from combat pay, public assistance, veteran's benefits, unemployment compensation | 3. | _____ |
| 4. Add lines 1 through 3, this is income for general sales tax table purposes | 4. | <u>159,484</u> |
| 5. Enter the amount from the sales tax table in IRS Publication 600. | 5. | <u>1,140</u> |
| Part-year residents, complete lines 6 - 8; Full-year residents skip lines 6 - 8
and enter the amount from line 5 on line 9 | | |
| 6. Enter the number of days of residence in state | 6. | _____ |
| 7. Total days in year | 7. | <u>365</u> |
| 8. Divide line 6 by line 7 (rounded to at least 3 decimal places) | 8. | _____ |
| 9. Multiply line 5 by line 8, this is the deductible general sales tax using the IRS table from IRS Publication 600. | 9. | <u>1,140</u> |

Local Sales Tax Using IRS Tables

- | | | |
|--|-----|------------|
| 10. Enter the amount from the sales tax table in the Schedule A instructions. | 10. | _____ |
| 11. If you are a resident of Alaska, Arizona, Arkansas (Texarkana only), California (Los Angeles County only),
Colorado, Georgia, Illinois, Louisiana, New York, or North Carolina, enter
the amount from the applicable Optional Local Sales Tax Table in IRS Publication 600. | 11. | _____ |
| 12. Enter the local general sales tax rate (exclude statewide local sales tax rate) | 12. | _____ |
| 13. Enter the state general sales tax rate (include statewide local sales tax rate) | 13. | _____ |
| 14. Divide line 12 by line 13 (rounded to at least 3 decimal places) | 14. | _____ |
| 15. If you entered an amount on line 11, multiply line 11 by line 12. This is the local sales tax
using the optional local sales tax tables.
Part-year residents, complete lines 16 - 18; Full-year residents skip lines 16 - 18
and enter the amount from line 15 on line 19
If you did not enter an amount on line 11, multiply line 10 by line 14. This is the local sales tax
using the optional state and certain local sales tax tables.
Part-year residents, complete lines 16 - 18; Full-year residents skip lines 16 - 18
and enter the amount from line 15 on line 19 | 15. | _____ |
| 16. Enter the number of days of residence in locality | 16. | _____ |
| 17. Total days in year | 17. | <u>365</u> |
| 18. Divide line 16 by line 17 (rounded to at least 3 decimal places) | 18. | _____ |
| 19. Multiply line 15 by line 18. This is the deductible general local sales tax using the IRS tables. | 19. | _____ |

General Sales Tax Summary

- | | | |
|---|-----|--------------|
| 20. Enter the sum of line 9 from all General Sales Tax Deduction Worksheets | 20. | <u>1,140</u> |
| 21. Enter the sum of line 19 from all General Sales Tax Deduction Worksheets | 21. | _____ |
| 22. Add lines 20 and 21, this is the total General Sales taxes using the tables | 22. | <u>1,140</u> |
| 23. Enter the actual state and local general sales taxes paid | 23. | _____ |
| 24. Enter the greater of line 22 or line 23 | 24. | <u>1,140</u> |
| 25. Enter the state and local taxes paid on specified items (Major purchases) | 25. | _____ |
| 26. Add lines 24 and 25, this is the deductible General Sales tax | 26. | <u>1,140</u> |
| 27. Enter total state and local income taxes paid | 27. | <u>9,392</u> |

Enter the greater of line 26 or 27 on Schedule A line 5. If line 26 is greater, enter "ST" next to Schedule A, line 5.

Form 1040	Child Tax Credit Worksheets	2006
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Name MICHAEL R & KAREN S PENCE Taxpayer Identification Number XXXXXXXXXX

Child Tax Credit Worksheet - Form 1040, Line 53, Form 1040A, Line 33 or Form 1040NR, Line 48.

1. Number of qualifying children: <u>3</u> x \$1000. Enter the result.	1.	<u>3,000</u>
2. Enter the amount from Form 1040, line 38, Form 1040A, line 22, or Form 1040NR, line 36.	2.	<u>159,484</u>
3. Enter the total of any exclusion of income from Puerto Rico, and amounts from Form 2555, lines 45 and 50.	3.	_____
4. Add lines 2 and 3.	4.	<u>159,484</u>
5. Enter: \$110,000 if married filing jointly; \$75,000 if single, head of household, or qualifying widow(er); \$55,000 if married filing separately.	5.	<u>110,000</u>
6. Is the amount on line 4 more than the amount on line 5? <input type="checkbox"/> No. Leave line 6 blank. Enter -0- on line 7. <input checked="" type="checkbox"/> Yes. Subtract line 5 from line 4. If the result is not a multiple of \$1,000, increase it to the next multiple of \$1,000. }	6.	<u>50,000</u>
7. Multiply the amount on line 6 by 5% (.05). Enter the result.	7.	<u>2,500</u>
8. Subtract line 7 from line 1. If zero or less, stop here ; you cannot take this credit.	8.	<u>500</u>
9. Enter the amount from Form 1040, line 46, Form 1040A, line 28, or Form 1040NR, line 43.	9.	<u>13,652</u>
10. Add the amounts from Form 1040 lines 47, 48, 49, 50, 51 and 52* or Form 1040A lines 29, 30, 31 and 32 or Form 1040NR lines 44, 45, 46 and 47*. Enter the total. (*Include only the amount from Form 5695, line 12)	10.	_____
11. Are you claiming any of the following credits? <input type="checkbox"/> Residential energy efficient property credit, Form 5695, Part II <input type="checkbox"/> Adoption credit, Form 8839 <input type="checkbox"/> Mortgage interest credit, Form 8396 <input type="checkbox"/> District of Columbia credit, Form 8859 <input checked="" type="checkbox"/> No. Enter the amount from line 10. <input type="checkbox"/> Yes. Enter the amount from Child Tax Credit - Line 11 Worksheet below. }	11.	_____
12. Subtract line 11 from line 9.	12.	<u>13,652</u>
13. Child tax credit. Enter the smaller of line 8 or line 12 here and on Form 1040, line 53, Form 1040A, line 33 or Form 1040NR, line 48.	13.	<u>500</u>

Child Tax Credit - Line 11 Worksheet

Use this worksheet **only** if you checked "Yes" on line 11 of the Child Tax Credit Worksheet above.

1. Enter the amount from line 8 of the Child Tax Credit Worksheet above.	1.	_____
2. Enter the taxable earned income from the Taxable Earned Income Worksheet.	2.	_____
3. Is the amount on line 2 more than \$11,300? <input type="checkbox"/> No. Leave line 3 blank, enter -0- on line 4, and go to line 5. <input type="checkbox"/> Yes. Subtract \$11,300 from the amount on line 2. Enter the result. }	3.	_____
4. Multiply the amount on line 3 by 15% (.15) and enter the result.	4.	_____
5. Is the amount on line 1 of the Child Tax Worksheet above \$3,000 or more? <input type="checkbox"/> No. If line 4 above is zero, stop . Do not complete the rest of this worksheet. Instead, go back the Child Tax Worksheet above and do the following. Enter the amount from line 10 on line 11 and complete line 12 and 13. Otherwise, leave lines 6 through 9 blank, enter 0 on line 10, go to line 11 below. <input type="checkbox"/> Yes. If line 4 above is equal to or more than line 1 above, leave lines 6 through 9 blank, enter -0- on line 10, and go to line 11 below. Otherwise go to line 6.	5.	_____
6. Enter the total social security and Medicare taxes withheld from your pay (and your spouse's if filing a joint return). These taxes should be shown in boxes 4 and 6 of your Form(s) W-2. If you worked for a railroad, see below.	6.	_____
7. Enter the total of the amounts from Form 1040, line 27 and line 59, plus any uncollected social security and Medicare or tier 1 RRTA taxes shown in box 12 of your Form(s) W-2 with codes A, B, M and N	7.	_____
8. Add lines 6 and 7.	8.	_____
9. Add the amounts from Form 1040, lines 66a and 67 or Form 1040A, line 40a and excess social security tax included on line 43 or Form 1040NR, line 61. Enter total.	9.	_____
10. Subtract line 9 from line 8. If the result is zero or less, enter -0-.	10.	_____
11. Enter the larger of line 4 or line 10.	11.	_____
12. Is the amount on line 11 of this worksheet more than the amount on line 1? <input type="checkbox"/> No. Subtract line 11 from line 1. Enter the result. <input type="checkbox"/> Yes. Enter -0-. }	12.	_____

Next, complete Forms 5695 (Part II), 8839, 8396 and/or 8859 where applicable. Use the amount from line 12 above in place of the amount from Form 1040, line 53, Form 1040A, line 33 or Form 1040NR, line 48. Then, go to line 13 below.

13. Enter the total of the amounts from Form 5695, line 29; Form 8839, line 18; Form 8396, line 11; and Form 8859, line 5.	13.	_____
14. Enter the amount from line 10 of the Child Tax Credit Worksheet above.	14.	_____
15. Add lines 13 and 14. Enter this amount on line 11 of the Child Tax Credit Worksheet above.	15.	_____

Railroad employees. Include in the total on line 6 above any of the following taxes.

- Tier 1 tax withheld from your pay. This tax should be shown in box 14 of your form(s) W-2 and identified as "Tier 1 Tax".
- If you were an employee representative, 50% of the total Tier 1 tax and Tier 1 Medicare tax you paid for 2006.