

FIGURE 5.1

Tax net worth theory.

YEAR ONE

ASSETS

LESS: LIABILITIES

EQUALS NET WORTH

YEAR TWO

ASSETS

LESS: LIABILITIES

EQUALS NET WORTH

LESS NET WORTH YEAR ONE

EQUALS NET WORTH INCREASE

ADD: NON DEDUCTIBLE EXPENDITURES

LESS: NON TAXABLE INCOME

EQUALS CORRECTED TAXABLE INCOME

LESS: REPORTED TAXABLE INCOME

EQUALS UNREPORTED TAXABLE INCOME

FIGURE 5.2

RICO net worth theory.

YEAR ONE

ASSETS

LESS: LIABILITIES

EQUALS NET WORTH

YEAR TWO

ASSETS

LESS: LIABILITIES

EQUALS NET WORTH

LESS: NET WORTH YEAR ONE

EQUALS NET WORTH INCREASE

ADD: PERSONAL EXPENSES

EQUALS LEGAL INCOME

LESS: LEGAL INCOME

EQUALS ILLEGAL INCOME