

**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.

<u>YEAR ONE</u>	<u>YEAR TWO</u>
ASSETS	ASSETS
LESS: LIABILITIES	LESS: LIABILITIES
EQUALS NET WORTH	EQUALS NET WORTH
	LESS: NET WORTH YEAR ONE
	EQUALS NET WORTH INCREASE
	ADD: PERSONAL EXPENSES
	EQUALS LEGAL INCOME
	LESS: LEGAL INCOME
	EQUALS ILLEGAL INCOME