

# Goldman Sachs Believes Revenue Increase Will Not Continue

“As we see it, the prospects for additional cyclical reduction are limited...

“The 2005 tax bonanza has been concentrated in final settlements of 2004 tax liabilities. This is why it suddenly appeared in April and May... Thus, the lion’s share of this year’s extra tax receipts reflects last year’s strong profits and stock market.

“Profit taxes account for most of the remainder. Over the first eight months of the fiscal year, corporate tax payments have risen 47%, again due to last year’s surge in corporate profits. To the extent taxes have been paid on this year’s profits, the strength may also reflect expiration of the depreciation bonus...

“Conditions are not conducive to another April surprise next year... Unfortunately, the stock market has gone sideways thus far in 2005. Moreover, although economic growth remains sturdy, it has slowed – to about 3.5% from 4.4%. In this environment, gains in corporate profits...are apt to moderate as well.”

–Goldman Sachs report  
“U.S. Economics Analyst”  
June 10, 2005