Does your income match your bank deposits?

A year-end tie-out that proves the income on your Profit & Loss matches the money that actually reached the bank, and a short list of fixes when it does not.

> **Why this matters.** When income is counted twice (the invoice *and* the bank deposit), you can overstate profit and the tax that follows it. When deposits are missed or coded to the wrong place, income is understated and your books will not hold up if anyone asks how you got the number. The IRS lists deposit information among the records that support gross receipts.

What is inside

File	What it does
Excel workbook (8 tabs)	Tie-Out answer, Non-Income Deposits log, Add-Backs & Timing, Double-Count Finder, Monthly Check, Fix List, Lists
This PDF guide	How the tie-out works, where to find each number in QuickBooks Desktop and Online, 10 causes with fixes, 3 worked cases, edge cases and a year-end checklist

How to use it in 3 steps

1 List non-income deposits
Transfers, loans, owner money, refunds and sales tax go on the Non-Income Deposits tab.

2 Type your two totals
Total bank deposits for the year and Total Income from your P&L, on the Tie-Out tab.

3 Read the green gap
Tied out? Save a PDF. Not tied out? Use the Double-Count Finder, Monthly Check and Fix List.

> **Before you start:** back up your QuickBooks Desktop company file, or export your QuickBooks Online reports to Excel. Do not change a period your tax preparer has already used for a filed return without talking to them first.

Built by a US tax and bookkeeping practice with 20+ years of bookkeeping experience. Works with QuickBooks Desktop and QuickBooks Online report exports. Personal-use license. The workbook never asks for bank passwords, SSNs or account numbers.

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One line of math

Expected income = Bank deposits − Non-income deposits + Add-backs ± Timing (+ change in A/R if accrual)

Then compare: **Unexplained gap = Income on your P&L − Expected income**. A gap near zero means your books tie out. A positive gap usually means something was counted twice. A negative gap usually means a sale or deposit is missing or coded to a balance-sheet account.

Worked example (EXAMPLE VALUES)

Line	Source	Amount
Total deposits, all business bank accounts	12 monthly bank statements	$186,450
Less: transfer from savings, loan, owner money, vendor refund	Non-Income Deposits tab	($22,850)
Deposits that came from sales		**$163,600**
+ Processor fees taken before payout	Payout reports	$2,140
+ Cash sales spent before deposit	Cash log	$600
+ Still in Undeposited Funds on 12/31	Undeposited Funds register	$1,200
− Last year's sales deposited in January	January deposit detail	($3,400)
+ This year's sales deposited next January	Next January deposits	$2,750
Expected income		**$166,890**
Income on the P&L (Total Income)	Profit & Loss	$171,690
Unexplained gap	P&L income is higher	**+$4,800**

The Double-Count Finder then shows a March invoice for $4,800 and a bank-feed deposit for $4,800 four days later, coded straight to income. That is the gap. Fixing that one deposit brings the gap to $0.

Cash basis or accrual?

Most small businesses file on the cash basis, so leave the A/R cells blank. If your P&L is on the accrual basis, enter A/R at the start and end of the year: income you billed but did not collect yet is added to expected income. Run the P&L on the same basis your tax return uses.

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Where to find each number

QuickBooks Desktop and QuickBooks Online

Number you need	QuickBooks Desktop	QuickBooks Online
Total bank deposits	Use your bank statements (the bank's number is the anchor). To compare: Reports > Report Center > Banking > Deposit Detail, dated Jan 1 to Dec 31.	Use your bank statements. To compare: Reports > Standard reports, search **Deposit Detail**, set the dates and run it.
Total Income on the P&L	Reports > Company & Financial > Profit & Loss Standard. Set the dates and the basis (Customize Report > Cash or Accrual).	Reports > Standard reports > **Profit and Loss**. Set the dates and the accounting method (Cash or Accrual).
Income lines for the Finder	Reports > Accountant & Taxes > Transaction Detail by Account. Filter to income accounts, export to Excel, paste Date, Type, Name, Memo and Amount.	Reports > Standard reports, search **Transaction Detail by Account**. Filter to income accounts, export to Excel and paste.
Money still in Undeposited Funds	Lists > Chart of Accounts, open the Undeposited Funds register; or Banking > Make Deposits shows what is waiting.	Run the Balance Sheet as of 12/31 and look at Undeposited Funds (may be called Payments to deposit in newer screens).

How deposits should be recorded (so income is counted once)

1. **Desktop:** record the invoice payment (Receive Payments) or the sales receipt so it lands in Undeposited Funds. Then Banking > Make Deposits, select those payments in the Payments to Deposit window and save. Do not add a second line coded to an income account.
2. **Online:** when the bank-feed deposit shows up in Bank transactions, choose **Match** to the existing payment or sales receipt instead of categorizing it to income. Intuit's help notes that matching links the deposit to records you already have and prevents duplicate entries.
3. **Online, several payments in one deposit:** + Create (or + New) > Bank Deposit, check the payments, confirm the total equals the bank deposit, then Save. Then match the bank-feed line to that deposit.
4. **Payouts net of fees** (card processors, marketplaces): on the deposit, add a line for the fee with a negative amount to a fee expense account, so the gross sale stays in income and the deposit equals the bank.

> **QuickBooks Online screens change often.** Newer screens use "All apps > Accounting > Bank transactions" with a Pending tab; older screens use "Transactions > Bank transactions" with a For review tab. The steps are the same. Checked against Intuit's help articles on 11/12/2026.

10 common causes of a gap

Cause	Gap	Fix in Desktop	Fix in Online
1. Deposit coded to income and the invoice also paid	Higher	Open the deposit, remove the income line, add the payment from Undeposited Funds	Undo the posted bank line, then Match it to the invoice payment
2. Sales receipt and the deposit both coded to income	Higher	Delete the income line; deposit the sales receipt	Undo, then Match to the sales receipt
3. Transfer between your own accounts coded as income	Higher	Change the deposit line to the other bank account (a transfer)	Undo, then record it as a Transfer
4. Loan or credit-line money coded as income	Higher	Recode to the loan liability account	Undo, then categorize to the loan account
5. Owner money coded as income	Higher	Recode to an owner equity account	Undo, then categorize to owner equity
6. Payout net of fees, fees never recorded	Lower	Add a negative fee line on the deposit	Add a negative fee line on the deposit
7. Sales tax collected sitting in income	Higher	Point the sales tax item to Sales Tax Payable	Review sales tax settings and items
8. Sale never recorded (cash job, Zelle)	Lower	Enter the sale, then add it to the deposit	Create the sale, then Match the deposit
9. Bank-feed deposit downloaded twice	Higher	Delete the duplicate deposit	Exclude the duplicate in Bank transactions
10. Payment left in Undeposited Funds	Either	Group it into the matching deposit	Group it into the matching bank deposit

Reading the Monthly Check

Every month has a small, normal gap (fees, a little cash). The Monthly Check compares each month with the typical (median) month and flags the outliers. In the example, March is flagged higher (the double count), January lower (last year's sales deposited in January) and December higher (money not yet deposited). January and December flags are often timing that belongs on the Add-Backs tab, not an error.

> **Rule of thumb:** if the gap equals one deposit amount exactly, look for a double count of that deposit first. If the gap equals a round number, look for a loan, transfer or owner deposit.

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Three tested scenarios (EXAMPLE VALUES)

Scenario	Deposits	Non-income	Add-backs net	Expected	P&L income	Gap
A. Cleaning service, invoices, cash basis	$186,450	$22,850	+$3,290	$166,890	$171,690	+$4,800
B. Restaurant, card payouts, SBA loan, sales tax	$412,000	$62,500	+$13,900	$363,400	$362,900	−$500
C. Online shop, marketplace payouts net of fees	$48,300	$3,000	+$4,450	$49,750	$49,750	$0

A: one invoice was paid and the same money was coded to income from the bank feed. **B:** after removing the $30,000 loan, an $8,000 transfer and $24,500 sales tax, $500 is still missing: one catering check was deposited but never entered as a sale. **C:** the payouts are net of marketplace fees; once the fees and a held reserve are added back, the books tie out.

Edge cases to watch

- **Several bank accounts:** include every business account. A transfer between two of them is a deposit in one and must be removed as non-income.
- **Credit card refunds and chargebacks:** a refund that lands in the bank is not income; a chargeback reduces the payout but the original sale stays in income unless you refunded it.
- **Payroll tax or insurance refunds, rebates and grants:** they are deposits but not sales; list them as non-income (your tax preparer decides how they are reported).
- **Customer deposits for next year's work:** on the accrual basis these often belong in a liability until earned.
- **Form 1099-K:** for 2026 a payment app or marketplace generally sends one when payments exceed $20,000 and 200 transactions (IRS). The 1099-K shows gross amounts before fees and refunds, so compare it to gross sales, not to deposits.
- **Cash used before deposit:** paying a helper or buying supplies out of the register still means the sale happened. Record both the sale and the expense.
- **Interest income:** it is income on the P&L and a deposit, so it needs no adjustment.

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Year-end checklist

Tie out before you hand off your books

- ☐ Bank and credit card accounts reconciled through 12/31
- ☐ Every business bank account included in Total deposits
- ☐ Transfers, loans, owner money, refunds and sales tax listed on Non-Income Deposits
- ☐ Processor and marketplace fees recorded (gross sales in income)
- ☐ Undeposited Funds reviewed: nothing old left waiting
- ☐ January and December timing entered on Add-Backs & Timing
- ☐ P&L run on the same basis (cash or accrual) as your tax return
- ☐ Double-Count Finder flags reviewed one by one
- ☐ Fix List items marked Done, then the Tie-Out re-checked
- ☐ PDF of the Tie-Out tab saved with your year-end files

Timeline

Nov–Dec	Early Jan	Mid Jan	Late Jan–Feb	Before filing
Clean up Jan–Oct while it is fresh	Last statements arrive; reconcile December	Run the tie-out; fix the flags	1099 forms arrive; compare to gross sales	Give the tie-out PDF to your preparer

Important. This kit is an educational bookkeeping tool. It is not tax, legal or accounting advice and does not guarantee any result. How a deposit is reported on a tax return depends on your facts; ask a qualified tax professional. The workbook never needs bank passwords, SSNs or account numbers.

Sources checked 11/12/2026: Intuit help articles "Record and make bank deposits in QuickBooks Online", "Record and make bank deposits in QuickBooks Desktop", "Match transactions in QuickBooks Online", "Fix downloaded bank transactions"; IRS "What kind of records should I keep"; IRS newsroom on the Form 1099-K threshold under the One, Big, Beautiful Bill.

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