2026 EDITION

Undeposited Funds Cleanup Guide

A step-by-step companion to the Undeposited Funds Cleanup Workbook, for QuickBooks Desktop and QuickBooks Online users.

What is inside

- Page 2 - Why payments get stuck, and what a clean account looks like
- Page 3 - The 6-step cleanup workflow and what each Action means
- Page 4 - QuickBooks Online steps (written for long-time Desktop users)
- Page 5 - QuickBooks Desktop steps
- Page 6 - Year-end checklist and how to keep the account clean

Before you start

- Back up your Desktop company file, or export your Online reports, before changing anything.
- Have your bank statements for the period ready (PDF or CSV).
- If a tax return for the period is already filed, talk to your tax preparer before you change it.

> Not tax, legal or accounting advice. This guide explains common bookkeeping steps. Your situation may need a different fix, so review the plan with a qualified professional before posting entries.

QuickBooks Online menu names were checked against Intuit's help articles in November 2026; Desktop steps follow the standard Desktop menus. Screens change often; if a button has moved, search the same words in QuickBooks Help.

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Why payments get stuck in Undeposited Funds

Undeposited Funds is a holding account. A payment waits there until you combine it with other payments into one bank deposit that matches the bank statement. Items get stuck for four common reasons:

Cause	What you see	Workbook Action
1. The bank deposit was added from the bank feed as new income instead of being matched	Income is counted twice; the payment still waits in Undeposited Funds	Duplicate
2. Checks and cash were deposited at the bank but never recorded as a deposit	Bank balance in QuickBooks is too low; the balance in Undeposited Funds grows	Deposit in QB
3. Card processors pay out batches net of fees	Payments add up to more than the bank deposit	Deposit in QB + fee line
4. Old items from a conversion, a past bookkeeper or a voided check	Items older than a year that match nothing	Investigate, then Write off ($0 deposit)

What a clean account looks like

- The Undeposited Funds balance equals only the payments you are still holding (for example, checks received this week).
- Each bank deposit in QuickBooks equals one line on the bank statement.
- No payment in the deposit screen is older than your normal deposit cycle.

> Why a journal entry alone is not enough: Intuit Community users report that a journal entry can bring the Undeposited Funds balance to zero while the old payments still show in the deposit window. Clearing them through a deposit, as this guide shows, removes them from that window as well.

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The 6-step cleanup workflow

1. **Settings.** Enter the as-of date, the match window (7 days works for most businesses) and the Undeposited Funds balance from the Balance Sheet on that date.
2. **Export the items.** Desktop: Lists > Chart of Accounts, select Undeposited Funds, then Reports > QuickReport; set the dates; Excel > Create New Worksheet. Online: run a Transaction Detail by Account report filtered to Undeposited Funds and export to Excel. Paste into UF_Items.
3. **Paste bank deposits.** Copy every deposit line from the bank statements for the same period into Bank_Deposits. Mark Y when that same deposit already exists in QuickBooks as its own deposit.
4. **Assign.** For each payment type the Deposit ID. One-payment deposits are suggested automatically when the amount is the same and the date falls in the window. Then choose an Action.
5. **Balance each deposit.** Bank_Deposits shows the difference for every deposit. Explain every difference: card fees, a refund, a payment that belongs to a different deposit.
6. **Review and post.** Print Summary and Clear_Plan, review them with your accountant, then record the deposits in QuickBooks (pages 4-5).

What each Action means in QuickBooks

Action	What you do
Deposit in QB	Record one bank deposit per bank statement line, selecting the payments assigned to it. Add a fee line if the bank amount is lower.
Duplicate	The money is already in the bank account in QuickBooks. Link the payment to that deposit (or replace the duplicate deposit). In a closed period, ask your accountant.
Write off ($0 deposit)	After review, select the items in one deposit and add one negative line to the offset account your accountant chooses, so the deposit total is $0.00.
Investigate	Find the source document first (deposit slip, merchant report, customer statement). Do not clear it yet.

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QuickBooks Online steps

If you have used Desktop for years, the ideas are the same; only the screens differ. This table translates the terms.

Desktop	Online
Banking > Make Deposits	+ New (or + Create) > Bank deposit
Payments to Deposit window	The list of payments at the top of the Bank deposit screen
Bank Feeds Center	Transactions > Bank transactions (also shown as Banking)
Match / Add in Bank Feeds	Match / Add (or Post / Categorize) in the bank transactions list

A. Record a bank deposit

1. Select + New (or + Create), then Bank deposit.
2. In the Account dropdown, choose the bank account the money went into.
3. Check the box for each payment assigned to this Deposit ID in the workbook.
4. If the bank received less (card fees), add a line under Add funds to this deposit with your fee account (for example Bank Charges & Fees) and a negative amount.
5. Confirm the total equals the bank statement line, then Save and close.

B. Match the bank feed - do not add it again

When the deposit downloads from the bank, open it in the bank transactions list and choose Match to the deposit you recorded. Choosing Add (or Post) instead creates the duplicate income described on page 2.

C. Take one payment back out of a deposit

Open the payment, select the deposit link on it to open the deposit, uncheck the payment and save. The payment returns to Undeposited Funds. Deleting a whole deposit returns all of its payments.

D. The $0 clearing deposit (after review only)

Create a Bank deposit dated as on Clear_Plan, check the payments listed in Part A, then under Add funds to this deposit add one line: the offset account and the negative amount from Clear_Plan. The total shows $0.00, so the bank balance does not change and the items leave the deposit screen. This method is widely used by bookkeepers and discussed in the Intuit Community; it is not described in Intuit's help articles, so confirm the offset account with your accountant.

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QuickBooks Desktop steps

A. Record a deposit

1. Banking > Make Deposits. The Payments to Deposit window opens.
2. Optional: View payment method type to narrow the list (for example only cash and checks).
3. Check the payments assigned to the Deposit ID, then OK.
4. Choose Deposit To (the bank account) and the date on the bank statement.
5. For card fees add a line: account = your fee account, amount = negative fee.
6. Confirm Deposit Total equals the statement line, then Save & Close.

B. Bank Feeds

In the Bank Feeds Center, match the downloaded deposit to the deposit you just made. If it was already added as a separate deposit, that is the Duplicate case: review it before deleting anything.

C. The $0 clearing deposit

Banking > Make Deposits, check the Part A payments, OK, then add one line with the offset account and the negative total from Clear_Plan. Deposit Total = 0.00. Save & Close. Memo suggestion: Clear old Undeposited Funds per review dated (date).

D. Prevent it next time

- Edit > Preferences > Payments > Company Preferences: the setting Use Undeposited Funds as a default deposit to account decides where Receive Payments puts money. Pick one way of working and train everyone who enters payments.
- Never use Add in Bank Feeds for a customer deposit that already has payments waiting.

> Desktop 2023 note: Intuit's discontinuation policy states that QuickBooks Desktop 2023 was discontinued after May 31, 2026, so connected services such as bank feeds stop working on that version. Clean up Undeposited Funds before you upgrade or move to Online, so old items do not travel with the file.

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Year-end checklist

Done	Task
[ ]	Undeposited Funds balance on the Balance Sheet equals the UF_Items total (Summary: Difference = 0).
[ ]	Every bank deposit for the year is Balanced or has a written reason.
[ ]	Duplicates reviewed; income is not counted twice.
[ ]	Investigate items have a source document or a decision.
[ ]	$0 clearing deposit approved by your accountant before posting.
[ ]	Bank accounts reconciled through December after the cleanup.
[ ]	Desktop: closing date set and backup saved. Online: closing date set in Advanced settings.
[ ]	Workbook and Clear_Plan saved with your year-end records.

Keep it clean every month

- Record deposits the same day you go to the bank, or weekly at least.
- Before you reconcile, open the deposit screen: nothing should be older than your deposit cycle.
- Keep the card processor's payout report; it shows which payments and fees make up each payout.

> Need help? A US tax and bookkeeping practice with 20+ years of bookkeeping experience can review your cleanup or take over the monthly books: taxnpaypro.com

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