The E-Commerce Seller's Bookkeeping Guide

A practical guide for Etsy, Amazon, and Shopify sellers to manage inventory, fees, and sales tax the right way.

Presented by: Smart Ledger Bookkeeping Services, LLC

Where Books Come to Balance

Why E-Commerce Bookkeeping Is More Complex Than It Looks

Many sellers think tracking online store finances means watching a bank balance. In reality, ecommerce brings deferred revenue, product returns, and merchant processing delays that a bank balance alone will never show you.

- High transaction volumes across multiple sales channels create significant reconciliation challenges
- Merchant processors delay payouts and mix gross sales with processing fees
- Inventory values fluctuate constantly as products are purchased and sold
- Returns and refunds require precise timing adjustments to avoid overstating revenue

Smart Tip

Pull each platform's gross sales report before you calculate profit this month, and treat any gap between that number and your bank deposit as fees or refunds you still need to book. Bank deposits are net payouts, not gross sales.

Track Revenue Separately by Platform

Each marketplace has its own fee structure, payout schedule, and customer base. Separating income by platform shows you which channels are actually profitable and makes month-end reconciliation far simpler.

- Create distinct income accounts in your books for Amazon, Shopify, and Etsy sales
- Map platform deposits to corresponding accounts rather than directly to a general income line
- Reconcile monthly gross sales reports from each platform against actual bank deposits • Monitor platform-specific trends to allocate your marketing budget more effectively
- Account for gift cards and store credits as liabilities until the customer redeems them

Smart Tip

Connect your platforms to your accounting software this week using A2X, Link My Books, or a native integration. Automated feeds cut manual entry errors and save hours every month.

Understanding Cost of Goods Sold

Cost of Goods Sold is the foundation of e-commerce profitability — the direct cost of the goods you sell. Expense it only when an item actually sells, not the moment you purchase inventory.

- Include raw materials, direct labor, and manufacturing overhead in your product cost baseline
- Factor in freight charges and customs duties to establish a true landed cost for imported goods
- Track inventory values using either first in first out or weighted average cost methods
- Deduct damaged or obsolete inventory from your asset accounts through periodic writedowns
- Reconcile physical inventory counts against your accounting records at least quarterly

Smart Tip

Calculate your landed cost per unit — item cost plus freight and customs — before your next pricing review. If that number has crept up since you last set your price, your margin is quietly shrinking

Platform Fees Are a Business Expense — Track Them All

Amazon, Shopify, and Etsy all charge listing, transaction, processing, and fulfillment fees — and since they are deducted before you ever see the deposit, you have to record them yourself to see your true margin.

- Record listing and subscription fees as separate operating expenses
- Track processing fees from Shopify Payments, PayPal, and Stripe individually
- Categorize storage and fulfillment fees apart from shipping costs
- Reconcile monthly statements to catch hidden chargebacks or admin fees

Smart Tip

Download last month's settlement report from every platform this week and compare the fee total to what actually hit your bank account. The difference is exactly what you need to record as an expense.

Inventory Management and Bookkeeping

Inventory is likely your largest asset, and poor tracking leads to stockouts, excess storage fees, and distorted financials.

Returns and refunds are part of the same picture — handled wrong, they quietly overstate both revenue and stock.

- Update stock levels automatically with every sale
- Conduct regular physical counts to catch damage or errors
- Record refunds as a reduction to revenue, not an expense
- Return damaged or unsellable stock to a write-off, not back into sellable counts
- Monitor inventory turnover to spot slow-moving products

Smart Tip

Physically count your five highest-value SKUs this month and compare the count to what your system shows on hand. Catching a discrepancy on high-value items early keeps it from distorting your quarterly numbers.

Sales Tax Nexus — What You Actually Owe

Amazon and Etsy are marketplace facilitators and already collect and remit sales tax for you in every state that has one.

Your own Shopify store is different — you are responsible for registering, collecting, and remitting tax on those sales yourself.

- Identify every state where your inventory is stored, including fulfillment centers ·
- Track your sales by state against each state's nexus threshold (commonly around $100,000)
- Register and configure tax collection on your own Shopify store where you have nexus.
- File on time, including zero returns, in every state where you are registered

Smart Tip Pull a sales-by-state report from every platform this quarter and check it against each state's nexus threshold. Most sit around $100,000 in sales, but confirm the exact number for any state you're approaching.

Common E-Commerce Deductions

Between COGS, fees, and inventory, it is easy to overlook the ordinary business deductions ecommerce sellers are entitled to

- Packaging, shipping supplies, and postage
- Product photography, video, and editing or listing software
- Home office deduction if you fulfill orders from home
- Contractor payments: photographers, virtual assistants, designers
- Business insurance and professional development

Smart Tip

Add up every contractor payment you have made this year — photographers, VAs, designers — and issue a 1099-NEC to anyone who crossed $2,000 in 2026. That threshold rose from $600.

1099-Ks and Recordkeeping

- Amazon, Etsy, and Shopify are required to report your payment volume to the IRS, and you should expect to receive tax forms accordingly. • Expect a 1099-K from any platform where you crossed $20,000 and 200 transactions in 2026 — some states set a lower threshold • Cross-check every 1099-K you receive against your own platform sales reports — it reports gross payment volume, not your actual profit • Keep every settlement report, sales tax filing, and 1099 for at least 3 years — 6 years if income was underreported by 25% or more

Smart Tip

Set a recurring reminder for late January to pull every 1099-K you receive and match it against your own sales records before you send anything to your accountant.

Quarterly Estimated Tax Payments

E-commerce sellers are almost always self-employed for tax purposes, so nothing is withheld the way it would be from a paycheck. File using IRS Form 1040-ES

The IRS expects payments four times a year — not just once at filing time.

- Q1 payment due April 15
- Q2 payment due June 15
- Q3 payment due September 15
- Q4 payment due January 15 of the following year

Smart Tip

Put all four payment dates on your calendar right now — April 15, June 15, September 15, and January 15. To avoid a penalty, pay at least 100% of last year's tax bill (110% if your prior-year income topped $150,000) or 90% of this year's actual liability, whichever is smaller.

Monthly Habits That Keep Your Books Clean

Waiting until year end to organize your books is a reliable way to miss deductions and create costly errors.

A simple monthly routine catches problems while they are still small.

- Reconcile every bank account and credit card within five days of month end
- Match marketplace payouts to sales and fee reports for the period
- Review outstanding payables to ensure timely supplier payments
- Compare actual profit and loss performance against your budget
- Save digital receipts in a secure cloud storage folder

Smart Tip

Block two hours on your calendar on the first Monday of every month dedicated solely to reviewing your financial statements

Need Help Organizing Your Books?

As your store grows, your time gets more valuable — and hours spent wrestling with spreadsheets is time not spent on product and marketing. Smart Ledger works with online sellers to handle platform reconciliation, inventory tracking, and sales tax compliance, so you can focus on growing your store.

Services Include:

- Monthly bookkeeping
- Account reconciliation
- Financial reporting
- Catch-up & clean-up bookkeeping
- Financial organization systems

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