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ALL BUSINESS

by Rachelle Dupree

**Setting up an LLC for spas and
skin care professionals**

After years of training and education, many professionals feel they are finally ready to set up their dream spa business. Once that decision is made, the hard part comes – deciding exactly what type of business model to follow and learning all about licensing and tax filings..

The beginning of any successful enterprise must start with a plan. This will act like an architectural drawing of how the professional wants their business to be built. It should lay out location, space, types of services offered, necessary equipment, how many employees will need to be hired, and how much startup money will be needed to get it all running. Next, consider all the fun tax and financial decisions. When starting a small business, there are numerous options for financial filings.

LICENSING

Before one can open their own spa or any other type of aesthetics establishment, a business license is required. In most states, the city hall or county administration building processes business licenses and applications. This is where a business name, address, and the type of business, such as an LLC, sole proprietorship, partnership, or corporation, will be recorded.

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Small businesses typically file as either an LLC or a sole proprietorship. Filing as a corporation, general partnership, or sole proprietorships offers various benefits, but the LLC entity combines the advantages of each structure.

DEFINING AN LLC

An LLC, or limited liability company, provides business operators the protections usually only afforded to corporations and the tax filing simplicity of a sole proprietorships.

For instance, LLC owners are not personally liable for the business's debts. LLCs can also create tax advantages and some other perks for some spa business owners. Forming an LLC can also provide a degree of added credibility, as it looks more professional than doing business with an individual.

LLCs provide more tax flexibility than other business types and are automatically taxed as either a sole proprietorship or partnership, depending on whether there is one member or multiple members. If certain IRS requirements are met, the LLC can also elect to be taxed as an S-corporation or C-corporation, allowing LLC owners to be paid as company employees, participate in company benefit programs, and potentially save on taxes.

Unlike corporations, LLCs are not required to have annual shareholder meetings or maintain a board of directors, nor are they bound by administrative requirements. Members or managers can run the business as they see fit.

GENERAL GUIDELINES

The exact requirements for starting an LLC differ greatly by state. Below are a few general guidelines of how to get started.

Business Naming

Deciding on a business name can be fun and exciting. It dictates a business's whole marketing and branding scheme, but it must also meet state law requirements. As an LLC, a public record of the professional's business name is created, and they gain the ex-



clusive right to use that name as a business entity in their state. Check that the desired business name is not already taken and that there are not too many variations being used.

Review the corresponding state LLC naming requirements and visit the website of the state agency responsible for business filings to find out if the desired name is available. In most states, the agency responsible is the Secretary of State.

Filing the Paperwork

Business formation paperwork, called Articles of Organization or Certificate of Formation, can be filed with the one's state. It is important to research state-specific paperwork requirements first and gather necessary documentation before filing an Articles of Organization.

There are several steps that need to be followed. Basic information includes business name, address, purpose of business, management structure, agent information, and time and duration of operation.

Business entities like LLCs and corporations are required to appoint a registered agent when they form and

a local registered agent in every state where they transact business. A registered agent is someone who receives official or legal documents, such as subpoenas, on behalf of the LLC and then passes them on to the business owner(s). The professional can appoint themselves, an employee, or hire an agent service for a fee. The agent must be available at an address within the business's state during normal business hours. A filing fee must be paid and varies depending on the state where the business is formed.

Once the formation documents are approved, the state will issue a certificate to indicate the LLC is formally registered. This certificate will be necessary to set up remaining business accounts, such as a business bank account and a tax ID number.

Operating Agreements

If an LLC has more than one member or grows, an operating agreement might be considered. Many states do not require one, but it ensures equitable operation of a business in writing and can be a valuable asset. It should outline the details of the financial, legal, and management rights of all mem-

bers of the LLC, including how profits will be distributed and who contributes capital for the business.

Utilizing Resources

Most people are not experts in tax laws and financial filings. Being aware of all the resources available can be a huge relief. A professional can refer to their own tax accountant for basic information or references on trustworthy resources to get started.

The IRS publishes a specific PDF tax guide for beauty salon owners on their website. The local Better Business

Bureau or Small Business Association can be contacted as well.

The spa professional can also use their state's board of cosmetology and other professional departments for business guidance. If employees or partners will be a part of the business, these resources can help. Also, be aware that some states have restrictions on renting booths or rooms to independent aestheticians.

LLC Formation Costs

LLC registration and filing costs vary by state. In most states, it costs

between \$50 and \$200 to start an LLC, but a few states have fees as high as \$500. Many states require LLCs to file annual reports and pay annual fees and taxes that can vary from \$10 to \$800 or more.

Hiring Out

This is where it can be a huge help to call in the experts. If budget allows, hire a professional tax accountant or service to get started. If one's business has a more complicated structure or many members, it might be necessary to hire a lawyer. If the professional decides to act as their own registered agent or hire someone to help, it can cost a bit more, but it can save thousands of dollars in potential fines and lots of headaches to get all filings correct the first time.

Finally, it is important to keep the LLC active. Once it is formed, ensure the business remains in good standing with the state. An annual report that updates information pertaining to the LLC may need to be filed along with paying an annual filing fee. Each state's business filing website should list the requirements.

Creating an aesthetician or spa business from the ground up is an exciting opportunity, but it can also be challenging. It does not have to be too complicated or overwhelming. Just take it step by step and, in the blink of an eye, the business will be ready to go.

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Rachelle Dupree has over 20 years of experience in marketing, media, communications, and design. She studied with a Denver-based herbalist and naturopath for four years, combining her marketing knowledge with her love of natural remedies and skin care. She currently contracts as a marketing and communications director for Vivoderm Natural Skincare and various design clients.