

CLIPPED & COMPLIANT: CHOOSING THE RIGHT BUSINESS STRUCTURE FOR PET GROOMERS

Every spring, four longtime friends—Harper, Zoey, Finn, and Layla—meet in Las Vegas for the National Pet Grooming Expo. Between seminars on coat conditioning and the latest in paw balm science, their favorite tradition is an annual dinner where talk inevitably shifts from poodles to profits and taxes.

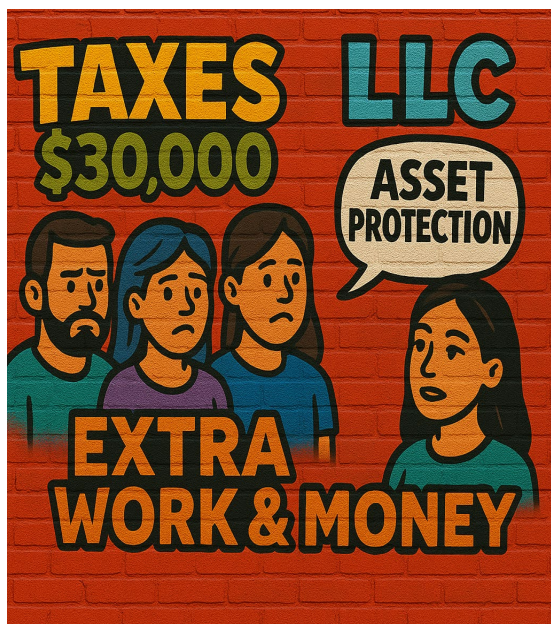
Each groomer earns about \$100,000 per year, but they've taken different paths when it comes to their business structures.

Harper, Zoey, and Finn all work independently, some mobile, some in salons, operating as sole proprietors. It's straightforward and low

maintenance, with minimal paperwork. Layla, however, formed a single-member LLC early in her career. She owned her own home and wanted a layer of liability protection in case a client ever claimed injury to their pet or sued over a grooming accident. Forming the LLC required some up-front state filing fees and a commitment to keeping her business and personal finances strictly separate, that meant separate bank accounts and careful recordkeeping.

At that year's dinner, Harper and Zoey were venting about how much they owed, roughly \$30,000 each, once they factored in both income tax and the 15.3% self-employment tax. Finn nodded glumly. They assumed Layla had it better thanks to her LLC, but to their surprise, she paid nearly the same amount.

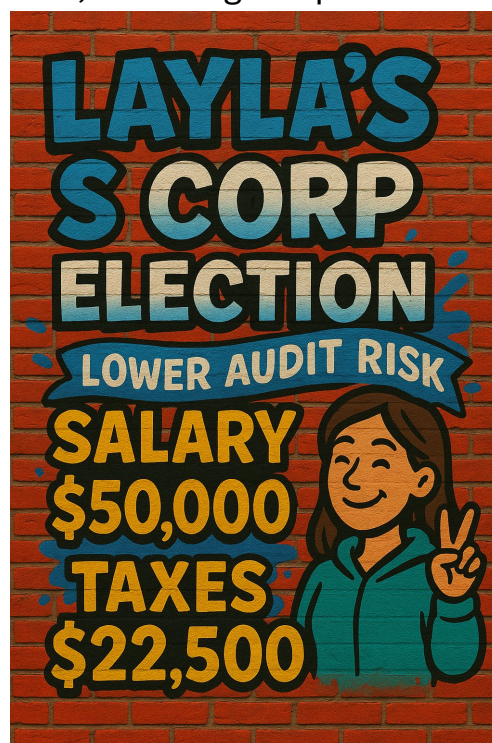




Layla explained: “The LLC gives me asset protection, but it doesn’t automatically change how I’m taxed. I still file a Schedule C and pay self-employment tax just like you.” She described the peace of mind it gave her, knowing her house and personal investments were shielded from her business liabilities. Still, she admitted it came with a little extra work and a little extra coin, since she had to pay an annual filing fee to keep her LLC in good standing with the state.

The following year, Layla made a key change: she elected to have her LLC taxed as an S corporation. The election itself cost nothing, just a timely filing with the IRS. But it came with responsibilities: running payroll for herself, setting up an Accountable Plan for reimbursements, and filing a separate corporate tax return. The tradeoff? Major self-employment tax savings and a lower audit risk compared to sole proprietors.

Her strategy paid off. Layla still earned around \$100,000, but she paid herself a reasonable W-2 salary of \$50,000. That salary was subject to payroll taxes, but the remaining \$50,000 passed through to her personally and wasn’t subject to any self-employment tax. After income taxes, her total tax bill was about \$22,500, significantly lower than her friends, who still owed around \$30,000 each.



The next year, inspired by Layla's organization, Zoey and Harper decided to open a pet spa together: "The Fluffy Pawlor." They formed a multi-member LLC, drafted a partnership agreement with a local attorney, and split startup costs and responsibilities.

While The Fluffy Pawlor quickly built a loyal client base, Zoey and Harper found the partnership came with its own challenges. They had to file a separate partnership tax return each year, track guaranteed payments and capital accounts, and navigate decisions jointly. Tax-wise, their individual liability didn't decrease, nor did their overall tax burden. Like sole proprietors, they each still paid around \$30,000 in total taxes.



Back in Vegas the following year, the group reflected on their experiences.



- **Sole Proprietorships:** Simple and low-cost but offer no personal asset protection.
- **Single-Member LLCs:** Add legal protection but do not reduce taxes unless paired with an S Corp election.
- **Multi-Member LLCs:** Provide structure and liability protection for partnerships but bring complex compliance and offer no inherent tax savings.
- **S Corporations:** Can significantly reduce self-employment taxes but require payroll, meticulous bookkeeping, and separate tax filings.

As they wrapped up their night, Harper raised her glass. “Here’s to clean cuts, clean books, and keeping more of what we earn.”

Layla smiled, thinking to herself, “And to knowing who to call when we need help navigating it all.”

What her friends didn’t know? Layla had a secret weapon: she’d been working closely with the Tattoo Tax Guys all along.

