Starting your business in Alabama

Sole proprietorship or LLC: a guide for solo beauty and grooming providers

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General information, not legal or tax advice. Fees and rules change, and cities and counties add their own requirements. Confirm each step with the office linked in this guide, and talk to an accountant or attorney about your situation. Hairola doesn't require any particular business structure: you can offer services on Hairola as a sole proprietor or through an LLC.

Sole proprietorship or LLC?

Most solo providers start as a sole proprietor: it's the default when you work for yourself, and there's nothing to form. An LLC is a separate legal entity you register with the state. Here's how they compare in Alabama:

	Sole proprietorship	Single-member LLC
To start	Nothing to file with the state. Register a trade name only if you use one.	File a Certificate of Formation with the Alabama Secretary of State.
State cost to start	None, or the trade name fee.	$200 online or by mail.
Every year	Usually nothing at the state level.	Alabama has no annual report or annual fee for LLCs at the Secretary of State. An LLC may owe the Business Privilege Tax (Form PPT) to the Alabama Department of Revenue by its federal return due date, but if that tax would be $100 or less there is nothing to pay or file.
Liability	You and the business are the same: business debts and claims can reach your personal assets.	Generally keeps business debts and claims separate from your personal assets. That protection has limits, so insurance still matters.
Federal taxes	Profit goes on Schedule C of your Form 1040.	The same by default (a "disregarded entity"). It can elect to be taxed as an S corporation.

Steps as a sole proprietor in Alabama

1. **Get your professional license**

   Hold every license your services need before you offer them. Hairola's State Compliance Guide lists Alabama's licensing board: https://hairola.com/state_compliance_guide#state-al

2. **Register a trade name, if you use one**

   Alabama has no required DBA filing for sole proprietors. Confirm with Alabama Secretary of State. If you do business under a name other than your legal name, you can register it as a trade name with the Secretary of State for $30, good for five years.

3. **Get an EIN (optional)**
   Without employees you can use your Social Security number, but a free EIN from the IRS keeps your SSN off client and bank paperwork. Apply only at irs.gov.
4. **Register for state taxes**
   Alabama has a personal income tax, run by the Alabama Department of Revenue. Sales tax applies to retail product sales, not to services like haircuts; if you sell products, register for a sales tax license through My Alabama Taxes.
5. **Check business licenses**
   Every business needs a state and county privilege license, issued by the probate judge or license commissioner in the county where you do business. Many cities also require their own business license.
6. **Open a separate bank account**
   Keeping business money apart makes taxes and bookkeeping much easier.
7. **Set up your Hairola payout account**
   Choose "An individual" and enter your own legal name. Stripe asks for your SSN or EIN and your bank account.

Steps to form an LLC in Alabama

1. **Choose a name and check it's available**
   The name must be distinguishable from businesses already on file and include "LLC" or "Limited Liability Company". Search the Alabama Secretary of State's business records.
2. **Name a registered agent**
   Someone with a Alabama street address who accepts legal papers for the LLC during business hours. You can be your own.
3. **File a Certificate of Formation**
   File with the Alabama Secretary of State. Fee: $200 online or by mail. You must reserve the LLC name with the Secretary of State before filing ($25 by mail, $28 online) and attach the name reservation certificate to the Certificate of Formation.
4. **Write an operating agreement**
   It records who owns and runs the LLC. It usually isn't filed with the state, but banks may ask for it.
5. **Get an EIN**
   Free from the IRS at irs.gov, usually in minutes. Banks and Stripe generally ask an LLC for one.
6. **Register for state taxes**
   Alabama has a personal income tax, run by the Alabama Department of Revenue. Sales tax applies to retail product sales, not to services like haircuts; if you sell products, register for a sales tax license through My Alabama Taxes.
7. **Check business licenses**
   Every business needs a state and county privilege license, issued by the probate judge or license commissioner in the county where you do business. Many cities also require their own business license.
8. **Keep the LLC in good standing**
   Alabama has no annual report or annual fee for LLCs at the Secretary of State. An LLC may owe the Business Privilege Tax (Form PPT) to the Alabama Department of Revenue by its federal return due date, but if that tax would be $100 or less there is nothing to pay or file.
9. **Set up your Hairola payout account**
   Choose "A business" and enter the LLC's exact legal name and EIN. Stripe asks for details about you as its owner.

Federal basics for every state

Employer Identification Number (EIN)

An Employer Identification Number (EIN) is free from the IRS, and the IRS warns to beware of websites that charge for one. The online application issues the number immediately and is available Monday to Friday 6 a.m. to 1 a.m. the next day, Saturday 6 a.m. to 9 p.m., and Sunday 6 p.m. to midnight Eastern time; it must be finished in one session. A sole proprietor with no employees and no excise, employment, or Keogh plan filings is not required to have an EIN and can use a Social Security number. A single-member LLC needs an EIN if it has employees or must file certain excise tax forms, and an LLC that otherwise does not need one can still get one, for example to open a bank account.

How you're taxed

By default the IRS treats a single-member LLC as a disregarded entity, so its income is reported on the owner's Schedule C just like a sole proprietorship, and the owner pays self-employment tax. An LLC can instead elect to be taxed as a corporation (Form 8832) or as an S corporation (Form 2553); Form 2553 is filed no more than 2 months and 15 days after the start of the tax year the election is to take effect, or any time in the year before. Self-employment tax is 15.3 percent (12.4 percent Social Security plus 2.9 percent Medicare), figured on Schedule SE when net earnings are $400 or more. For 2026 the Social Security part applies to the first $184,500 of combined wages and self-employment earnings, and an extra 0.9 percent Medicare tax applies above $200,000 for single filers.

Quarterly estimated taxes

Income without withholding, such as self-employment earnings, is paid through quarterly estimated tax using Form 1040-ES. In most cases estimated tax is required for 2026 when the expected tax owed is at least $1,000 after withholding and refundable credits. The 2026 due dates are April 15, 2026, June 15, 2026, September 15, 2026, and January 15, 2027; the January payment is not needed if the 2026 return is filed by February 1, 2027 with the full balance paid. Late or short payments can bring an underpayment penalty.

Form 1099-K

The One Big Beautiful Bill Act of 2025 retroactively reinstated the reporting threshold that applied before the American Rescue Plan Act of 2021, so the lower $600 threshold never takes effect. For tax year 2026, a third party settlement organization such as a payment app or online marketplace must file Form 1099-K only when a payee's gross payments for the year exceed $20,000 and the number of transactions exceeds 200. A platform may still send a 1099-K below that threshold, some states set lower thresholds, and payments taken directly by credit or debit card have no minimum. All business income is taxable whether or not a 1099-K is received.

Beneficial ownership reporting

Companies formed in the United States, including single-member LLCs, do not have to file beneficial ownership information (BOI) reports with FinCEN. FinCEN's March 2025 interim final rule removed the requirement for U.S.-created entities, and a final rule issued August 11, 2026 and effective August 14, 2026 made that exemption permanent. Only companies formed under foreign law and registered to do business in a U.S. state or tribal jurisdiction still report, and FinCEN says it will delete BOI previously reported by U.S. persons.

What an LLC protects

A sole proprietorship is not a separate legal entity, so the owner can be held personally liable for the business's debts and obligations. An LLC protects the owner from personal liability in most instances, keeping personal assets like a house, car, and savings out of reach if the LLC faces bankruptcy or lawsuits. The SBA notes that this protection has limits. It describes professional liability insurance as covering losses from malpractice, errors, and negligence, and general liability insurance as covering bodily injury and property damage claims.

Official links

Form an LLC: https://www.sos.alabama.gov/business-entities/llcs

Trade names: https://www.sos.alabama.gov/administrative-services/trademarks

State tax registration: https://myalabamataxes.alabama.gov

Licensing boards: https://hairola.com/state_compliance_guide#state-al

SBA - Choose a business structure: https://www.sba.gov/business-guide/launch-your-business/choose-business-structure

SBA - Register your business: https://www.sba.gov/business-guide/launch-your-business/register-your-business

SBA - Get business insurance: https://www.sba.gov/business-guide/launch-your-business/get-business-insurance

IRS - Small business and self-employed tax center: https://www.irs.gov/businesses/small-businesses-self-employed

IRS - Single member limited liability companies: https://www.irs.gov/businesses/small-businesses-self-employed/single-member-limited-liability-companies

IRS - Apply for an EIN online: https://www.irs.gov/businesses/small-businesses-self-employed/apply-for-an-employer-identification-number-ein-online

IRS - Self-employment tax: https://www.irs.gov/businesses/small-businesses-self-employed/self-employment-tax-social-security-and-medicare-taxes

IRS - Form 1040-ES, Estimated Tax for Individuals: https://www.irs.gov/forms-pubs/about-form-1040-es

IRS - Understanding your Form 1099-K: https://www.irs.gov/businesses/understanding-your-form-1099-k

FinCEN - Beneficial ownership information reporting: https://www.fincen.gov/boi

This guide online, with every state: https://hairola.com/business_formation_guide#state-al