

THE LEVEL UP ACADEMY

THE REVENUE SHARE PARTNERSHIP MODEL

A New Way to Build a Salon Business

Built to Support Independent Stylists, Not Replace Them

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What This Guide Is For

This is not legal advice. This is a plain-English breakdown of a business model that lets salon owners and stylists partner together as independent businesses, fairly and legally.

If you are a salon owner or a licensed stylist in the United States, this guide walks you through exactly how the Revenue Share Partnership Model works, why it is legal when structured correctly, and how it can work for you.

Read the whole thing. Then take it to a qualified business attorney in your state before you do anything.

One rule before we start

This model only works if you actually implement it correctly. Half-measures will get you in trouble. You either do this right or you do not do it at all.

Why This Business Exists

Before anything else, understand this: the entire reason this business exists is to support independent stylists.

That is the mission. That is the purpose. Every decision we make, every agreement we sign, every dollar we invest, every system we build, it all exists to make independent stylists more successful.

We do not exist to do hair. We do not exist to own clients. We do not exist to put stylists in boxes or tell them how to run their businesses. We exist to give talented, licensed professional stylists a place to do their work, the coaching to become great at it, and a fair partnership where both sides win together.

The mission, in one sentence

This business exists to support independent stylists. Period.

Why Now

This model is the right idea at the right moment. State labor boards are cracking down on misclassification in salons. AB5 in California and similar laws in other states are forcing salon owners to either go fully W-2 or find a legally defensible alternative. A generation of stylists wants ownership, flexibility, and real business opportunity. The salon suite model proved stylists will pay for independence, but suites are isolating and lack real partnership.

The Revenue Share Partnership Model sits at the intersection of all these trends. Legally defensible, financially better for both sides, culturally aligned with what stylists want, and positioned for where the industry is actually going.

Who This Is For

This model is for facility operators who genuinely believe stylists should own their own businesses, their own clients, and their own futures. If your instinct is to control and micromanage, this is not your model.

The Foundational Principle

Before we break down the partnership, understand the ONE principle everything else is built on.

The core principle

The facility is in the business of supporting independent stylists. The facility is NOT in the business of doing hair.

Your Facility LLC is not a salon. It is a support business for independent beauty professionals. You do not do hair. You do not have clients. You do not produce beauty services. You support the people who do.

What the Facility Provides

- Physical space (a chair, a station, access to common areas, utilities)
- Optional coaching on how to be a great independent stylist
- Optional access to shared booking software
- Optional parts and labor product option
- Shared marketing and brand presence that helps attract clients

What the Facility Does NOT Provide

- Mandatory tools, products, or supplies
- Clients assigned to specific stylists
- Supervision of the craft
- Mandatory schedules, prices, procedures, or techniques
- Employee benefits, wages, or payroll
- Any direction on how to actually do hair

What the Stylist Brings

- Their own LLC, EIN, insurance, and business bank account
- Their own license and professional expertise
- Their own clients and book of business
- Their own schedule, prices, methods, and techniques
- Their own tools
- Their own products (or they can opt into the facility's parts and labor program)
- Their personal brand, social media, and marketing

Where the Stylist Can Work

Anywhere they want. At multiple facilities simultaneously, including competing ones. At their own home studio. On location. Any combination. Non-competes are never appropriate in this model.

Freedom matters, not action

This is an important legal distinction. The legal test is whether the stylist is FREE to work elsewhere, not whether they actually do. A stylist who chooses to focus their entire practice at your facility is still an independent business, AS LONG AS they had the freedom to work elsewhere. This mirrors how law firm partners operate. Partners at top law firms rarely work at other firms. They choose to focus their practice at their firm because the partnership is good for them. That choice is the independence, not the action. The same principle applies here.

The legal test you must pass every day

Every facility operator should be able to walk into any regulatory interview and say, with a straight face: 'I do not do hair. I do not employ anyone who does hair. I provide space and coaching to independent beauty professionals who run their own businesses.' If that statement is not 100% true in practice, the model is exposed.

Section 1: The Problem With the Traditional Salon Model

Traditional commission salons pay employees, which triggers payroll taxes, workers comp, unemployment insurance, mandatory sick leave, overtime liability, and wrongful termination risk. Most traditional salons run on profit margins under 5 percent. Employment costs eat everything.

That is the model most salon owners inherited. It is not your fault. But you do not have to keep running it.

Section 2: What the Revenue Share Partnership Is

The Core Concept

Instead of employing stylists, you enter into a Revenue Share Partnership with each stylist's LLC. Two businesses, one shared goal: attract clients together and build a thriving operation where both sides win.

Your Facility LLC partners with each Stylist's LLC under a written Revenue Share Partnership Agreement. You are not their employer. They are not your contractor in the traditional sense. You are two independent businesses partnering together on a specific chair, sharing revenue based on your joint success.

The key insight

The facility and the stylist attract clients TOGETHER. The facility brings location, marketing, brand, and support. The stylist brings skill, reputation, personal brand, and their own book. When clients come in, it is through BOTH your efforts. The revenue share reflects that shared contribution.

The Starting Split: 50/50

Every new partnership starts at 50/50. The stylist's LLC gets 50 percent of their service revenue. The Facility LLC gets 50 percent. This is a fair starting point that reflects the reality that both sides are investing in the partnership.

At 50/50, the facility is providing real value: location, brand, marketing, coaching, space, operational support. The stylist is providing real value: skill, hours, personal brand, existing clients. Both are putting in, both are getting out.

The 5% Progression: Growing Together

As the partnership becomes more successful, the split improves in 5% chunks favoring the stylist. Here is how it works.

The facility has expenses: rent, utilities, insurance, administrative costs, coaching overhead, marketing spend. Those expenses have to be covered for the facility to operate. As the stylist produces more revenue, and as the partnership attracts more clients together, the facility's expenses get covered more easily.

Every time the partnership covers a meaningful chunk of facility expenses, the stylist's share improves by 5 percent. This is not arbitrary. It is tied to real economics.

SPLIT	WHAT IT MEANS
50/50	Starting split. Both parties fully invested in building the partnership together.

SPLIT	WHAT IT MEANS
55/45	The partnership is starting to cover facility expenses. Stylist's contribution is growing.
60/40	Partnership is producing consistently. Stylist is earning a larger share of success.
65/35	Strong production. Stylist is a major contributor to the facility's economics.
70/30	Top of the rev share partnership. Stylist is a primary driver of the business.

The exact production thresholds for each 5% jump are set in the Revenue Share Partnership Agreement and can be adjusted for each facility based on actual operating costs. A small facility with low overhead will see stylists progress faster. A larger facility with higher overhead will have higher thresholds.

This is fair because it aligns both parties' interests. The stylist produces more, the partnership becomes more profitable, the stylist earns a bigger share. The facility is always covered. Both sides win as the partnership grows.

Why This Structure Works

Three reasons this is better than commission, booth rental, or flat percentage splits:

- It starts fair (50/50) instead of squeezing the stylist from day one
- It rewards joint success with clear, earned progression
- It ties the split to real facility economics, not arbitrary milestones

A stylist knows exactly what they need to do to earn a bigger share. The facility owner knows their expenses are being covered before splits improve. Nobody is guessing. Nobody is resentful. The math is transparent.

Section 3: The Growth Partnership Advantage

Here is where this model separates from every other option in the beauty industry. This is not just a legal structure or a facility arrangement. It is a growth partnership, where both sides have real skin in the game in the stylist's success.

The Problem With Suites

Salon suite operators collect rent and walk away. Once the stylist signs the lease, the suite operator has no financial interest in whether the stylist's chair is full or empty. They do not help with marketing. They do not help with client acquisition. They do not help with business building. The stylist is completely alone.

This is why so many stylists struggle in their first years at a suite. They walked in thinking they would keep all their money. They walked out realizing they had no marketing support, no client acquisition strategy, and no help growing their business. Suites extract rent and disappear.

The Problem With Commission Salons

Commission salons have the opposite problem. The owner wants the stylist to succeed because the salon makes money when they do. But the owner ALSO keeps the clients as salon property. The stylist is building the salon's book, not their own. When they leave, they often cannot take their clients with them. All that work benefits the owner, not the stylist who did the work.

The Growth Partnership Model Solves Both Problems

In a Revenue Share Partnership, both parties genuinely win when the stylist's book grows. This is the single most important feature of the model, and it flows directly from the financial structure.

When the facility helps the stylist attract more clients, the partnership produces more revenue. When the partnership produces more revenue, the facility's expenses get covered faster. When expenses get covered faster, the stylist's split improves to the next tier. When the split improves, the stylist takes home more money.

Every dollar the facility invests in marketing the stylist is a dollar that grows the partnership. There is no conflict of interest. There is no extraction. There is only aligned incentive.

What the Facility Can Bring to the Partnership

A strong facility operator is not just a landlord. They are a growth partner who brings real value beyond the physical space:

- Digital advertising expertise (Google Ads, Meta Ads, TikTok) that individual stylists rarely have
- SEO and local search optimization that drives organic client traffic
- Brand infrastructure and professional marketing collateral
- Business coaching and operational support
- Vendor relationships and volume pricing on supplies and tools
- Cross-stylist learning, where what works for one partner can be shared with others

- Shared infrastructure like booking systems and client communication tools
- Mentorship and career guidance for stylists who want it

A stylist operating solo at a suite or working commission cannot access this level of support at any price. A good facility operator brings infrastructure and expertise that would cost the stylist thousands of dollars per month to replicate on their own.

Why This Matters for the Stylist

Consider two stylists, both with equal talent, both starting in year one. Stylist A goes to a salon suite and pays fixed rent. Stylist B joins a Revenue Share Partnership at a strong facility.

Stylist A is on her own. She spends her weekends trying to figure out Instagram. She does not know how to run ads. She is paying for a locked room, but the room does not bring her clients. She will spend the next three years grinding to fill her book, losing sleep, and wondering why she left the salon that used to give her clients.

Stylist B has a facility owner who actively helps her grow. Her chair is getting filled with clients the partnership attracts together. Her split improves as they build together. By year three she is producing at a level Stylist A will not reach until year six, if she makes it at all.

That is the difference between a landlord and a growth partner.

Why This Matters for the Facility Owner

Every dollar invested in growing the stylist's book is a dollar invested in the facility's long-term success. Unlike commission salons where marketing investment only pays off while the employee stays, and unlike suites where there is no reason to invest at all, the Revenue Share Partnership creates a genuine return on marketing investment that compounds over time.

A stylist who grows with your facility stays with your facility. A stylist who stays builds a long-term client base that runs through your facility. The marketing you did in year one keeps paying dividends in year five.

This is how you build something durable. Not by squeezing stylists, not by extracting rent, but by genuinely investing in their success because their success is your success.

The key insight

A strong facility owner does not just provide a chair. They provide a growth partnership. Marketing expertise, coaching, systems, and infrastructure that would cost a solo stylist a fortune to replicate. And because the partnership is structured as shared revenue, the facility owner has every reason to invest in the stylist's success. This is what separates the Revenue Share Partnership from every other option in the beauty industry.

Section 4: The Entities That Make It Work

Three legal entities operate together to make this partnership legally sound. Each one has a specific job.

Entity 1: The Facility Services LLC (Yours)

You operate a Limited Liability Company that provides facility services, workspace, and infrastructure to independent beauty professionals. Your LLC does NOT run a salon.

- Your operating agreement states you are in the workspace and facility services business
- Your business license reflects facility services, not salon operation
- Your marketing describes space for independent professionals, not beauty services
- Your website, signage, and contracts all reflect this consistently

Entity 2: Each Stylist's LLC

Every stylist operates through their own LLC. This is non-negotiable. No LLC, no partnership.

- Their own LLC with a real operating agreement
- Their own EIN from the IRS
- Their own business bank account
- Their own professional liability insurance
- Their own general liability insurance
- Their cosmetology license in good standing

WARNING

If your stylists do not have real LLCs and real business accounts, this structure falls apart. They cannot just call themselves independent contractors. They need to actually BE independent businesses. This is non-negotiable.

Entity 3: The Non-Grantor Irrevocable Trust

The neutral payment system that keeps money flow clean. This is the legal linchpin of the whole model.

A non-grantor irrevocable trust is a specific type of legal entity where:

- The trust is legally separate from the facility operator
- The trust has its own EIN and bank accounts
- The trust files its own tax returns
- The trust is administered by an independent trustee (licensed fiduciary, attorney, or CPA who is NOT the facility operator, their spouse, or anyone financially dependent on them)
- Once established, the facility operator cannot revoke, amend, or access the trust's assets
- Distribution rules are written into the trust document and cannot be changed unilaterally

How Payment Flows Through the Trust

1. Client pays for the service (service fee plus parts, if applicable)
2. Payment goes directly into the trust's account, never into the Facility LLC's account
3. If parts and labor applies, the parts charge is sent to the Facility LLC
4. The remaining labor portion is split per the Revenue Share Partnership Agreement
5. The stylist's LLC receives their share
6. The Facility LLC receives its share
7. At year-end, the trust issues 1099s to both businesses

Why the trust is critical

Employment classification requires an employer-employee relationship, which requires the employer to pay the employee. The trust means the facility operator never pays the stylist. Two independent businesses receive their share of revenue from a neutral third party. No wages. No payroll. No employment relationship.

Budget \$5,000 to \$15,000 to set up the trust with a licensed professional fiduciary as trustee. Budget \$3,000 to \$10,000 per year in ongoing trustee fees. This is the most important dollar you will spend on the structure. Do not cut corners here.

Section 5: The Parts and Labor Option

Every stylist has a genuine business choice: use the facility's color and product, or bring their own. Both are legitimate. The stylist decides, service by service, client by client.

The Three Options

Option A: Full Facility Product

The stylist uses the facility's stocked color, developer, toner, and in-service product. Great for stylists who do not want inventory headaches.

Option B: Hybrid

The stylist uses facility color and developer but brings specialty products. Pay for what they use.

Option C: Bring Your Own

The stylist brings everything. Uses the facility's station, water, and towels. No parts charge.

How It Gets Billed

Simple. The client pays for the product by default.

When a stylist chooses Option A or Option B, the product cost shows up as a separate line item on the client's invoice. The client sees two charges: one for the stylist's service, one for the facility's product. Two businesses, two charges, one clean transaction.

This is exactly how a dental visit is billed. Procedure on one line, supplies on another.

Example at 50/50

- Labor charge for the color service: \$175 (the stylist's rate)
- Parts charge for product used: \$25 (facility's cost plus markup)
- Client's total bill: \$200
- The \$25 parts charge goes directly to the Facility LLC
- The \$175 labor splits 50/50 through the trust
- Stylist's LLC receives \$87.50
- Facility LLC receives \$87.50 from labor plus \$25 from parts

If the stylist wants to offer flat 'all-in' pricing to their clients, they can opt to pay the facility back for product themselves. The facility invoices the stylist's LLC, and the stylist's LLC pays it like any other vendor bill. Stylist's choice.

If the stylist uses Option C (bring their own), there is no facility parts charge. The stylist can still charge their client for product as part of their own pricing. That money goes entirely to the stylist's LLC.

Why This Strengthens the Partnership

Every service involves a business decision by the stylist. What product to use. What to charge for it. Whether to absorb it. This is documented independence, service by service. Employees do not make those kinds of decisions. Business owners do.

Section 6: Why This Is Legal

The ABC Test

Most states use some version of the ABC test for independent contractor classification. All three prongs must be satisfied.

ABC Test Prong	How the Partnership Satisfies It
Prong A: Control	Stylists set their own schedules, prices, methods, clients. Facility controls space, not the craft.
Prong B: Usual Course	Facility LLC provides workspace and support services. Beauty services are the stylist's business, not the facility's.
Prong C: Independent Trade	Stylists have their own LLC, EIN, insurance, and clients. They are free to work at multiple facilities, and the freedom to do so is what satisfies the test, whether or not they actually choose to.

The Most Important Legal Point

Employment classification requires payment from employer to employee. In this model, the Facility LLC never pays the stylist. Client payments flow through the non-grantor irrevocable trust, which distributes to both businesses based on the partnership agreement. Two independent LLCs, each receiving their share from a neutral third party.

The Professional Precedent

This model mirrors how law firms, medical practices, accounting firms, and real estate brokerages have operated for over a century. Two licensed professionals or businesses working together out of a shared facility, sharing revenue based on contribution, receiving 1099s (or K-1s in partnerships). None of these industries face misclassification problems for their partnership structures. The beauty industry is just catching up to a proven model.

State-by-State Notes

Toughest states (CA, NJ, MA, NY, IL)

Implementation requires rigorous setup, strong documentation, and state-specific legal opinion. In California, AB5 contains a cosmetology exemption that this model is designed to qualify for. In NJ, the ABC test has a presumption of employment that requires clean execution to overcome. Budget \$10,000 to \$25,000 for proper state-specific legal review in these states.

Friendlier states (FL, TX, AZ, TN, GA, NV)

The model is significantly easier to implement. Still requires legal review, typically \$3,000 to \$7,000 for a state-specific opinion.

Non-negotiables in every state

Every stylist has their own LLC, EIN, insurance, and business bank account

Payment flows through the non-grantor irrevocable trust, never from facility directly to stylist

Stylists are free to work at multiple facilities, including competitors (whether or not they choose to)

No mandatory schedules, prices, products, techniques, or procedures

Facility is genuinely in the business of facility services, not beauty services

Get a state-specific legal opinion before launch

Section 7: Keeping It Legal Every Day

You can have perfect paperwork and still blow the model if your day-to-day operations look like a traditional salon. The documented structure has to match the operational reality.

What Stylists Must Actually Do

- Set their own schedules
- Set their own prices for every service
- Manage their own client relationships and booking
- Use their own techniques and methods
- Maintain their own client records
- Market their own services and build their own brand
- Be free to work at other locations (whether or not they choose to)
- Make their own product choices

What the Facility Must NEVER Do

Red flags that destroy the model

Every one of these turns the model into employment:

- Assign clients to stylists
- Set or approve the prices stylists charge
- Require specific hours or attendance schedules
- Supervise how they perform services
- Require specific products or techniques
- Create mandatory service procedures
- Restrict them from working elsewhere
- Pay them directly for any reason
- Issue W-2s
- Give employee benefits
- Own the booking software directly (it must be under the trust's EIN)

What the Facility CAN Control

You set rules for how people use your space, not how they run their businesses. Space rules are fine. Business rules are employment.

- Facility hours
- Cleanliness and hygiene standards for shared space
- Professional conduct expectations
- Rules about shared equipment and common areas
- Rules about noise, guests, and general operation

Section 8: What Makes This a True Win-Win

Every business model claims to be win-win. Most are not. Real win-win requires specific structural commitments.

The Facility's Commitments

- Transparent financials, shared with stylists so they can see how expenses affect split progression
- No mandatory anything: products, techniques, schedules, pricing, marketing participation
- Client ownership is contractual: stylist owns their book, takes it with them if they leave
- Exit with dignity: no clawbacks, no penalties, no non-competes
- Slow-season fund: facility commits 5% of monthly revenue to a reserve that cushions tough months

The Stylist's Commitments

- Operate as a real business: LLC, EIN, insurance, bank account, license, bookkeeping
- Pay their share of revenue automatically through the trust
- Respect the community: professional conduct, clean workstations, shared resource stewardship

Partner-to-Partner Referrals

When a stylist is fully booked, they can refer overflow to other partners in the facility with a built-in referral fee (typically 10 percent of the first service). Everyone wins. The busy stylist earns a referral fee. The less-busy stylist gets a new client opportunity. The client gets served. The facility gets the service. Collaboration beats competition.

Protecting the Client Experience

Clients are the third party in the win-win equation. They get consistency of location, freedom to follow their stylist, and portability if their stylist leaves. Happy stylists give better service. Sustainable facilities provide better space. Fair business models create stable relationships.

Section 9: The Financial Upside

Here is a realistic comparison of the Revenue Share Partnership against a traditional commission salon at the same service volume. Numbers are illustrative and vary by location, split progression, and partnership mix.

	TRADITIONAL SALON	REV SHARE PARTNERSHIP
Total services performed	\$1,000,000	\$1,000,000
Facility revenue (labor share)	\$1,000,000	\$450,000 (blended 45% avg)
Parts and labor revenue	\$0	\$150,000
Coaching subscriptions (optional)	\$0	\$60,000
Total facility revenue	\$1,000,000	\$660,000
Payroll and commissions	-\$400,000	\$0
Payroll taxes and burden	-\$150,000	\$0
Workers comp and benefits	-\$60,000	\$0
Facility operating costs	-\$350,000	-\$220,000
NET PROFIT	\$40,000 (4% margin)	\$440,000 (67% margin)

The top-line facility revenue looks smaller because you no longer claim all \$1M in service revenue as yours. But the profit margin transforms because you have no payroll burden, no employment liability, and additional revenue streams from parts and coaching.

You also eliminate the existential risk of employment lawsuits, wage claims, and regulatory audits that can destroy traditional salons.

Section 10: Setting Up the Structure

Do not skip steps. Every piece needs to be in place before you start operating.

8. Hire a qualified employment attorney in your state. For CA, NJ, MA, NY, IL, this is non-negotiable.
9. Form your Facility Services LLC with an operating agreement establishing you as a facility services business, not a salon.
10. Establish the non-grantor irrevocable trust with an independent licensed trustee.
11. Each prospective stylist forms their own LLC, gets an EIN, opens a business bank account, secures insurance.
12. Draft the Revenue Share Partnership Agreement with clear 50/50 starting split and 5% progression thresholds tied to facility expenses.
13. Set up the booking platform under the trust's EIN, not the Facility LLC's EIN.
14. Set up the parts and labor product program with clear pricing and opt-in structure.
15. Update all external-facing materials: website, Google Business Profile, signage, marketing must reflect facility services, not salon operation.
16. Hold a launch meeting with stylist partners. Review agreements. Confirm everyone understands they are independent businesses.
17. Start operating. Operate consistently with the documented structure every day.

CRITICAL

Do not start operating until every piece is in place and your attorney has reviewed the full structure. Operating partially is not the same as operating correctly.

Section 11: What's Next - The Co-Op Opportunity

For stylists who want to go beyond the chair, the Revenue Share Partnership opens a path to something bigger. A worker cooperative where they can own a piece of the broader business.

What the Co-Op Is

A worker cooperative is a legally recognized business structure where members own the business together. It is the same structure that has worked for over 150 years for law firm partners, medical practice partners, agricultural cooperatives (Ocean Spray, Land O'Lakes), home care cooperatives (Cooperative Home Care Associates, 2,000+ members), and cleaning cooperatives (Si Se Puede). These are owners, not employees, and courts in every state have upheld the structure for generations.

Who It's For

The co-op is for stylists who have proven themselves in the Revenue Share Partnership and want to go deeper. Who want ownership, not just partnership. Who want to share in the success of the broader business, not just their own chair.

This is NOT required. Stylists can stay in the Revenue Share Partnership at 50/50, 55/45, 60/40, 65/35, or 70/30 for their entire career if that fits their life. The co-op is an aspirational opportunity, not a mandatory next step.

How It Works

Stylists who have been in the partnership for at least 12 months and have reached 65/35 or better can be invited to buy into the cooperative.

- Capital buy-in: typically \$2,500 to \$5,000
- Receives a K-1 at year-end instead of a 1099 (ownership distribution vs. partnership revenue)
- One vote on cooperative matters
- Share in cooperative surplus at year-end
- Share in cooperative losses proportional to production
- Voice in facility operations, cooperative bylaws, strategic decisions
- Eligible for retained earnings and long-term equity growth

Why This Matters

The co-op gives ambitious stylists a real ownership stake in the business they helped build. Not theoretical ownership. Not phantom equity. Real equity in a real cooperative that owns real assets and generates real income.

For the facility, the co-op creates senior partners who are deeply invested in the long-term success of the operation. These are the people who mentor newer partners, help shape culture, and carry the business forward. Everyone wins when the stylists who built the business also own a piece of it.

Important note on the co-op

The co-op is a separate structure from the Revenue Share Partnership. You can operate the Revenue Share Partnership successfully without ever adding the co-op layer. Many facility operators start with just the partnership model and add the co-op later once operations are proven and stylists are ready for ownership. Build the foundation first. Add the aspirational layer when the time is right.

Section 12: Defending Against Scrutiny

If Regulators Come Knocking

Your defensive position is simple, factual, and consistent:

- We operate a facility services business that provides workspace to independent beauty professionals
- We do not employ beauty professionals
- We do not pay beauty professionals anything
- Our facility does not do hair. Our stylists do. They are independent businesses.
- Payment flows through an independent non-grantor irrevocable trust, not through our facility
- We have a written Revenue Share Partnership Agreement with each stylist's LLC

What Investigators Look For

WHAT THEY LOOK FOR	WHAT THEY FIND IN THIS MODEL
Wages paid employer to employee	No wages. Distributions through neutral trust.
Payroll records	No payroll records for stylists.
W-2s	1099s issued by the trust to both businesses.
Scheduling control	Different schedules per stylist. No mandatory hours.
Price control	Different prices per stylist. No facility pricing rules.
Product control	Stylists choose parts and labor or bring their own.
Client control	Stylists own their clients. Data portable on exit.
Non-competes	None. Stylists are free to work at multiple facilities by contract.
Business license	Facility services, not salon operation.

Section 13: The Honest Risks

No business model is without risk. Here are the real risks and how the model is designed to mitigate them.

Misclassification Challenge

The biggest risk. One disgruntled stylist could file a misclassification claim. The model mitigates this through independent LLCs, neutral payment flow, genuine stylist control, multi-facility flexibility, and state-specific legal review.

Stylists Who Cannot Operate as Businesses

Not every stylist is ready. Strict onboarding requirements (LLC, EIN, insurance, bank account before day one) screen for this. The model self-selects for serious professionals.

Slow Market Risk

If the local beauty market slows, the facility's reduced share of revenue might not cover operational costs. The slow-season fund provides buffer. Parts and labor revenue partially offsets service revenue decline. Lower fixed costs than commission salons mean lower breakeven point.

Regulatory Changes

Employment classification laws evolve. The structure is built on century-old precedents (professional partnerships, worker co-ops) that are unlikely to be overturned. Legal opinions should be refreshed every 2-3 years or after major legislative changes.

The Risk Nobody Talks About

The biggest risk is NOT adopting a model like this. Commission salons in ABC-test states face escalating enforcement, shrinking margins, and a generation of stylists who refuse to work under traditional models. The risk of doing nothing is that in 5-10 years, you are running an outdated model in a labor market that has moved on.

Section 14: Common Questions

Can I still have a say in how the facility looks and runs?

Yes. You control facility operations: hours, cleanliness, conduct, shared equipment maintenance. You do not control how stylists run their businesses.

What if a stylist works exclusively in my facility?

Exclusivity by choice does not create employment. What matters legally is that there is no contractual REQUIREMENT to work exclusively, and the stylist has the freedom to work elsewhere. This mirrors how law firms work. Partners at top firms typically practice exclusively at their firm, but nobody considers them employees because the exclusivity is a choice, not a restriction. The freedom is what satisfies the independence test. The action does not matter.

Can I do shared marketing?

Yes, if participation is voluntary. You can offer marketing as a service to partners. You cannot unilaterally control individual stylist marketing.

What happens if a stylist does not pay their taxes?

Their problem, not yours. They are independent business owners responsible for their own taxes. The trust issues them a 1099 and they handle it from there.

Is this model right for every salon owner?

No. This works for facility operators who want to support independent businesses. If you want to build a team-based salon with employees, stick with commission. Both are legitimate.

How much does it cost to set up properly?

Budget \$40,000 to \$90,000 for first-year setup including legal, trustee fees, accounting, and state-specific legal opinions. California and NJ push toward the higher end.

How long does it take to get profitable?

Expect 12 to 18 months from launch to stabilization. Partnership economics improve month over month as coaching subscriptions and parts and labor revenue compound.

Can I convert an existing commission salon?

Yes, but carefully. You cannot reclassify W-2 employees as 1099 partners overnight. Each stylist needs to form their own LLC and genuinely operate independently. Plan for a 6-12 month transition with legal oversight.

Final Thoughts

Every business model can work. That is the honest truth.

Running a commission salon can be beneficial. Running a booth rental operation can be beneficial. Having a team of W-2 employees and building culture around shared purpose can be beneficial. Each model has produced successful salon owners, happy stylists, and satisfied clients for decades. None of them are wrong.

This is not the one true way. This is another option. A different way of thinking about what a salon business can look like, built for owners who want to support independent stylists instead of managing employees, who want to create a fair partnership where both sides win, who want to build something where everyone has skin in the game.

If you read this guide and it lights something up in you, that tells you something. If you read it and think 'that is not for me, I love running my team the way I run it,' that tells you something too. Both answers are right.

You are the owner. You built what you built. You know your stylists, your clients, your market, your goals. Nobody else gets to tell you how to run your business. Not me. Not your accountant. Not your attorney. Not a guide you downloaded. Those of us on the outside can offer frameworks, ideas, and options. You decide what fits.

This model is not better than commission. It is not better than booth rental. It is not better than W-2 employment. It is different. And for some owners, different is exactly what their business and their people need.

Take what is useful. Leave what is not. Run your business the way that feels right to you.

That is what ownership is for.

Nick Mirabella

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This guide is for educational purposes only and does not constitute legal advice. Consult a qualified employment attorney in your state before implementing any business structure.