



State Laws on Direct-Sales

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Direct-Sales

In the past five years, a number of states have amended existing dealer franchise laws to either explicitly prohibit or allow for direct-sales of motor vehicles within the state. Most enacted state law authorizing limited direct-sales appears to be narrowly tailored to apply to Tesla by requiring that a manufacturer either have no existing franchise agreements in a relevant market area and/or have an existing direct-sales operation. Recently introduced legislation has been trending toward providing for new manufacturers to engage in direct sales.

Most states that provide for the direct-sales model still require a manufacturer to obtain a dealer license or permit to be able to operate in the state. Some states, like Utah, restrict the use of the direct-sales model to only those manufacturers that sell new non-fossil fuel powered vehicles, like those that rely on electricity or hydrogen fuel. Other states, like Ohio, provide for the direct-sales model, but only for manufacturers engaged in the market by a certain date and place a limit on the number of dealerships that direct-sale manufacturers may operate within the state.

In some states, like Arizona, Tesla's ability to sell vehicles through its direct-sales model is a result of a favorable judicial or administrative ruling regarding the applicability of state law as opposed to changes in the statutory text. In these states, the question of whether manufacturers may sell vehicles directly to consumers would likely be decided on a case-by-case basis. Other states, like Louisiana, have recently enhanced protections for franchise dealerships by explicitly prohibiting direct-sales.

The chart below includes a summary of state action on direct-sales. At least 17 states have laws on the books that expressly ban direct-sales, while at least 18 have laws that expressly allow for manufacturers to directly sell vehicles to consumers. Additionally, at least 9 states have laws prohibiting all *new* direct-sales, while allowing for manufacturers already engaged in direct-sales in the state to maintain a certain number of sales locations. Of those states that provide for direct-sales, at least 8 states tied their direct-sales provisions to a requirement that the manufacturer exclusively sell non-fossil-fuel, electric, or zero-emission vehicles.

State	Source	Provides for Direct-Sales?	Description
Alabama	Franchise Law Ala. Code § 8-20-4(3)(h)	NO	Alabama’s franchise law prohibits manufacturers from selling or leasing new vehicles to consumers. In 2016, proposed Senate Bill 22 would have amended Ala. Code § 8-20-4 to provide for direct-sales of “alternative fuel vehicles,” but died in committee.
Alaska	Franchise Law Alaska Code § 45.25.300	UNCLEAR	Could not identify any statutory provision that explicitly provides for or prohibits direct-sales.
Arizona	Franchise Law Ariz. Rev. Stat Ann. § 28-4460	UNCLEAR (limited direct-sales)	State franchise law generally prohibits manufacturers from unfairly competing with motor vehicle dealers. However, Arizona DOT granted Tesla a license to sell vehicles after an Arizona administrative law judge determined that Ariz. Rev. Stat Ann. § 28-4460 governing manufacturer-dealer competition and discrimination does not apply to the company. Although Tesla now has a license to sell vehicles in the state, it is unclear whether other manufacturers that, like Tesla, do not have any franchise dealerships in Arizona would be able to directly sell vehicles to consumers. Due to the licensing structure and the lack of any explicit legal authority to engage in direct-sales, it is likely that direct-sales decisions would be determined on a manufacturer-by-manufacturer basis.
Arkansas	Franchise Law Ark. Stat. Ann. § 23-112-403	NO	Arkansas law prohibits manufacturers from engaging in direct-sales to consumers except to their employees, charitable organizations and the federal government.
California	Franchise Law Cal. Veh. Code § 11713.3	YES (limited direct-sales)	California franchise law only prohibits manufacturers from competing with franchised dealers selling the same line make in a particular market area. This provides for manufacturers to engage in direct-sales so long as no existing franchise is engaged in the sale of the same line make in the area.

Colorado	Franchise Law Colo. Rev. Stat. § 44-20-126	YES	In 2020, the legislature enacted Senate Bill 167 , which allows a manufacturer to own, operate, or control a motor vehicle dealer if the manufacturer makes only electric motor vehicles and has no franchised dealers of the same line-make. The law had previously prohibited manufacturers from owning or operating a dealership, but allows for some exceptions. In particular, the law does not prohibit a manufacturer from operating a dealership if there are no other dealers selling “the same line-make” in the state. The law had previously allowed for manufacturers to continue to operate an existing dealership provided that the dealership was in operation on January 1, 2009, and had been in continuous operation since then.
*Connecticut	Franchise Law Conn. Gen. Stat. § 42-133cc Dealer licensing law Con. Gen. Stat. §14-52b(b)	NO	Connecticut franchise law generally prohibits manufacturers from unfairly competing with dealers with existing franchise agreements to sell the same line make in a relevant market area. This could allow for limited direct-sales, however, relevant dealer licensing laws prohibits manufacturers from obtaining dealer licenses to operate as a dealer. House Bill 7142 was proposed in 2019 to amend Con. Gen. Stat. § 14-52b to allow certain manufacturers to engage in direct-sales, but ultimately failed. Under this proposed legislation, to obtain a dealer license and engage in direct-sales, manufacturers must be all-electric and could not have any existing franchise agreements within the state.
Delaware	Franchise Law Del. Code Ann. tit. 6 § 4901 et seq.	UNCLEAR	Delaware franchise laws prohibit manufacturers from unfairly competing with new motor vehicle dealers selling the same line-make and operating under a franchise agreement in a relevant market area. It also prevents manufacturers from owning an interest in or operating or controlling a dealership, except for instances of temporary ownership.
Florida	Franchise Law Fla. Stat. § 320.645	YES (limited direct-sales)	Under Florida law, manufacturers may engage in direct-sales of motor vehicles provided there are no franchised dealerships selling such vehicles within the state.
Georgia	Franchise Law Ga. Code. § 10-1-664.1	YES (limited/no)	Under Georgia law certain manufacturers may engage in direct-sales if certain conditions are met. In 2015, the Georgia General Assembly enacted House Bill 393 which was narrowly tailored to provide for Tesla to engage in direct-sales in the state. Relevant law

		new direct-sales)	provides that a manufacturer may engage in direct-sales of motor vehicles at not more than five locations so long as the manufacturer: <ol style="list-style-type: none"> 1) Had been selling motor vehicles in the state as of January 1, 2015; 2) Exclusively sells zero emission vehicles; 3) Has never sold its vehicles through a franchised dealer in the state; or 4) Acquired a controlling interest in a franchisor.
Hawaii	Franchise Law Hawaii Rev. Stat. §437-1 et seq.	UNCLEAR	I could not identify a provision that expressly prohibits or allows manufacturers to engage in direct-sales. Hawaii law employs a broad definition of vehicle dealer to include any entity engaged in the sale of “three or more vehicles within a calendar year” that is not expressly excluded by statute. A number of entities are excluded from Hawaii’s definition of dealer, but vehicle manufacturers are not.
Idaho	Franchise Law Idaho Code § 49-1601 et seq.	UNCLEAR	I could not identify a statutory provision that expressly provides for or prohibits direct-sales.
Illinois	Franchise Law Ill. Rev. Stat. ch. 815 § 710/4	UNCLEAR (pending legislation to allow for limited direct-sales)	Illinois law prohibits manufacturers from operating as dealer franchises, but does not appear to directly prohibit direct-sales. There is legislation pending (House Bill 2857) that would expressly prohibit direct-sales, but provides for certain exceptions including for those manufacturers that have a repair service center in the state, do not have any existing franchise agreements, and had previously been granted new vehicle dealer license.
Indiana	Franchise Law Ind. Code § 9-32-11-20	YES (limited/no new direct-sales)	In 2017, the Indiana General Assembly enacted House Bill 1592 , amending state law to expressly prohibit direct-sales. However, the law effectively provides for Tesla to continue operating in the state by creating an exception for those manufacturers that were granted a license to sell vehicles before July 1, 2015 and established a service center in the state prior to January 1, 2018.
Iowa	Franchise Law Iowa Code § 322.3(14)	NO	Iowa law prohibits manufacturers from being licensed as a motor vehicle dealer, or owning an interest in, operating, or controlling a dealer.

Kansas	Franchise Law Kan. Stat. Ann. § 8-2438	NO	Kansas law prohibits manufacturers from owning or operating a new vehicle dealership. This provision is included in Article 24 of the state’s code, which also includes provisions related to franchise agreements.
Kentucky	Franchise Law Ky. Rev. Stat. § 190.070	NO	Kentucky law prohibits manufacturers from owning, controlling, or operating a vehicle dealership.
Louisiana	Franchise Law La. Rev. Stat. Ann. § 32:1261(A)(1)(k)	NO	In 2017, Louisiana enacted Senate Bill 107 explicitly prohibiting direct-sales.
Maine	Franchise Law Me. Rev. Stat. Ann. 10 § 1174	YES (limited direct-sales)	Maine Law appears to provide for direct-sales under certain circumstances. State law prevents manufacturers from owning or operating any dealership in any line make, unless the state Motor Vehicle Franchise Board determines there is no independent dealer available in the relevant market area.
Maryland	Vehicle Business Licensing Laws Md. Transp. Code Ann. § 15-305	YES (limited direct-sales)	Maryland’s dealer licensing law explicitly provides for manufacturers to obtain up to four dealer licenses to engage in direct-sales if certain conditions are met, including that a manufacturer exclusively sells non-fossil-fuel vehicles and has no franchised dealers within the state.
Massachusetts	Franchise Law Mass. Gen. Laws Ann. Ch.93B § 4	UNCLEAR (limited direct-sales)	Massachusetts law prohibits a manufacturer from owning a dealership. However, in a suit challenging Tesla’s direct-sales in the state, the Massachusetts Supreme Court held that state dealers lacked standing to sue because the provisions prohibiting direct-sales were intended to prevent manufacturers from treating dealers unfairly and only applied when a company already had an established dealer franchise in the state. Based on the Supreme Court’s interpretation, manufacturers may be able to engage in direct-sales in the state if certain requirements are met.

*Michigan	Franchise Law Mich. Code Ann. § 445.1574	UNCLEAR (limited direct-sales for Tesla only)	In 2014, Michigan enacted House Bill 5606 , which prohibits manufacturers from selling new vehicles directly to consumers and requires that sales occur through franchised dealers. The law carves out an exception for nonprofit organizations and government agencies. In early 2020, the state of Michigan settled a lawsuit with Tesla and the resulting agreement allows for Tesla to sell vehicles directly to consumers and have those vehicles serviced in the state.
Minnesota	Franchise Law Minn. Stat. Ann. § 80E.13	UNCLEAR (limited direct-sales)	Minnesota law prohibits manufacturers from competing with franchised dealers selling the same line-make in the state. In 2013, the Minnesota Department of Transportation ruled that the state law did not prevent Tesla from becoming a licensed dealer in the state.
Mississippi	Franchise Law Miss. Code Ann. § 63-17-115	UNCLEAR (limited direct-sales)	I could not identify any provision expressly providing for or prohibiting direct-sales. State law provides for manufacturers or distributors to own or operate new motor vehicle dealerships, but prohibits such dealers or distributors from unreasonably discriminating against another dealer with an existing franchise agreement in the same line or make.
Missouri	Franchise Law Mo. Rev. Stat. § 407.826	UNCLEAR (limited direct-sales)	State law prohibits a franchisor from owning or operating a new motor vehicle dealership. Tesla currently has a license to engage in direct-sales in the state and a Missouri appeals court dismissed a challenge to their license on standing grounds. It is unclear whether other manufacturers would be granted a license to engage in direct-sales in the state.
Montana	Franchise Law Mont. Code Ann. § 61-4-208	NO	Montana law prohibits manufacturers from engaging in direct-sales.
Nebraska	Franchise Law Neb. Rev. Stat. § 60-1438.01	NO (pending legislation)	Under Nebraska law, manufacturers are prohibited from owning, operating, or acting in the capacity of a new vehicle dealership. In 2019, Legislative Bill 51 was introduced amending Neb. Rev. Stat. § 60-1438.01 to allow manufacturers without existing dealer franchises to engage in direct-sales in the state. This bill failed.
Nevada	Franchise Law Nev. Rev. Stat. § 482.36349	YES (limited/no new direct-sales)	Nevada law generally prohibits manufacturers from engaging in direct-sales, but exempts manufacturers if certain conditions are met, including that the manufacturer exclusively manufactures electric passenger vehicles, only sells vehicles that it manufactures, and was selling passenger vehicles in the state on or before January 1, 2016. Note that this

			exception is narrowly tailored to apply only to Tesla and does not provide for new manufacturers to engage in direct-sales.
New Hampshire	Franchise Law N.H. Rev. Stat. Ann. § 357-C et seq. ; N.H. Senate Bill 126	YES	In 2013, New Hampshire enacted Senate Bill 126 also known as the “Dealers Bill of Rights” which among other provisions, explicitly provides for direct-sales of new vehicles. In particular, S.B. 126 provides that manufacturers and dealers may sell vehicles within the state so long as they are “licensed as a dealer” and “no dealer or other franchisee sells and services the same line make in New Hampshire.” Note that SB 126 does not restrict the type of vehicle (i.e. electric or gasoline-powered) that may be sold through a direct-sales model.
New Jersey	Franchise Law N.J. Rev. stat. Ann. § 56:10-27.1	YES (limited/no new direct-sales)	In 2014, the New Jersey Legislature enacted Assembly Bill 3216 which provides for zero-emission-vehicle manufacturers that were licensed to sell vehicles before January 1, 2014 to engage in direct-sales at up to four locations in the state. In 2019, Senate Bill 3493 was introduced increasing the number of zero-emission vehicle manufacturer dealerships to fourteen and the number of service centers to seven. This bill failed.
New Mexico	Franchise Law N.M. Stat. Ann. § 57-16-5	NO	New Mexico law prohibits manufacturers from becoming a licensed dealer or servicing vehicles within the state. In 2019, Senate Bill 243 amending the prohibition on direct-sales to create an exception for manufacturers that do not have any franchise dealers within the state, was proposed, but ultimately failed.
*New York	Registration Requirements N.Y. VAT. Stat. Ann. § 415	YES (no new direct-sales) (legislation pending to provide for future limited sales)	New York law generally prohibits direct-sales, but created an exception for manufacturers that had obtained a registration certificate prior to March 26, 2014 provided that the manufacturer exclusively manufactures zero-emission vehicles. Proposed Senate Bill 6299 would remove the prior certification requirement and would allow for manufacturers to hold up to five certificates to engage in direct-sales. This bill is still pending.
North Carolina	Franchise Law N.C. Senate Bill 384	YES (limited/no new direct-sales)	In 2019, the North Carolina General Assembly enacted Senate Bill 384 which provides for all-electric vehicle manufacturers to engage in direct-sales at five locations in 2020 increasing to six in 2021. However, this legislation does limit new direct-sales

			manufacturers by requiring that a manufacturer have at least one dealership licensed in the state as of January 1, 2019.
North Dakota	Franchise Law N.D. Cent. Code § 39-22-24	NO	North Dakota law prohibits manufacturers from owning or operating vehicle dealerships.
Ohio	Licensing Requirements Ohio Rev. Code Ann. § 4517.12	YES (limited/no new direct-sales)	In 2014, the Ohio General Assembly enacted Senate Bill 260 prohibiting the registrar of motor vehicles from granting a dealer license to any <i>new</i> direct-sales manufacturers. In particular, the bill provides that to engage in direct-sales a manufacturer must have been selling or distributing vehicles in the state as of January 1, 2014. It also establishes a three-store limit for manufacturers engaged in direct-sales.
Oklahoma	Franchise Law Okla. Stat. tit. 47 §565(11)	NO (legislation pending to provide for limited direct-sales)	Pursuant to Okla. Stat. tit. 47 § 47-565, the Oklahoma Motor Vehicle Commission may deny a license to a manufacturer seeking to engage in direct-sales. Senate Bill 790 , proposed in 2019, would allow manufacturers to engage in direct-sales provided that the manufacturer has never had a dealer franchise in the state. This bill failed.
Oregon	Franchise Law Ore. Rev. Stat. § 650 et seq.	UNCLEAR (limited direct-sales)	While Oregon law expressly prohibits manufacturers from competing with franchised dealers, it is not clear whether a manufacturer, like Tesla, that does not have franchised dealers in the state would violate the prohibition on competition. Tesla currently has a license to sell vehicles in Oregon.
Pennsylvania	Franchise Law Pa. Cons. Stat. Ann. 63 § 818.310	YES (limited/no new direct-sales)	In 2014, the Pennsylvania General Assembly enacted Senate Bill 1409 , which authorizes electric vehicle manufacturers to operate up to five dealerships provided there was no existing dealer franchise selling their vehicles. Under this law, the manufacturer must have continuously offered electric vehicles for sale for a year prior to the effective date of the legislation.
Rhode Island	Franchise Law R.I. Gen. Laws § 31-5.1-4	UNCLEAR (limited direct-sales)	Rhode Island franchise law prohibits manufacturers from competing with their own franchise dealerships located within the state. Based on a plain reading of R.I. Gen. Laws §

			31-5.1-4, a manufacturer without any existing dealerships in Rhode Island could be allowed to engage in direct-sales.
South Carolina	Franchise Law S.C. Code Ann. § 56-15-45	NO	South Carolina franchise law prohibits manufacturers from owning or operating a new vehicle dealership. Note that in 2019, Senate Bill 379 was introduced to exempt electric-vehicle-only manufacturers from the state’s ban on direct-sales. This bill is pending.
South Dakota	Franchise Law S.D. Codified Laws Ann. § 32-6B-80	NO	South Dakota law prohibits manufacturers from owning or operating a vehicle dealership.
Tennessee	Franchise Law Tenn. Code Ann. § 55-17-114	UNCLEAR (limited direct-sales)	Tennessee law prohibits manufacturers from competing with dealers selling the same line-make under a franchise agreement. It is unclear whether manufacturers, like Tesla, that engage in direct-sales and do not have any franchise dealerships in Tennessee would be in violation of state law.
Texas	Franchise Law Tex. Occ. Code Ann. § 2301.476	NO	Texas law prohibits manufacturers from owning, operating, or acting in the capacity of a franchised or non-franchised dealership.
Utah	Dealer Licensing/ Franchise Law Utah Code Ann. §43-3-101 et seq. ; House Bill 369	YES	In 2018, Utah enacted House Bill 369 , amending state law to provide for a direct-sale manufacturer license. Utah’s definition of a direct-sale manufacturers includes only those manufacturers that sell exclusively new electric, hydrogen fuel cell, or other vehicles fueled by “another non-fossil fuel sources.” Utah law also restricts qualifying direct-sale manufacturers to those manufacturers that are located in the United States and are not franchise-holders.
Vermont	Franchise Law	UNCLEAR	Vermont law prohibits manufacturers from competing with dealers in the same line-make under a franchise agreement. It is unclear whether manufacturers, like Tesla, that engage

	Vt. Stat. Ann. tit. 9 § 4097		in direct-sales and do not have any franchise dealerships in Vermont would be in violation of state law.
Virginia	Franchise Law Va. Code. § 46.2-1572	YES (limited direct-sales)	Virginia law generally prohibits manufacturers from owning, operating or controlling a motor vehicle dealership, but does provide for some exceptions. In particular, if after a hearing, the state Department of Motor Vehicles Commissioner determines that there is no dealer other than the manufacturer available to operate a franchise in the area, then the manufacturer may engage in direct-sales. Tesla has utilized this process to engage in direct-sales in the state.
Washington	Franchise Law Wash. Rev. Code § 46.96.185	YES (limited/no new direct-sales)	Washington law generally prohibits direct-sales, but allows for “final-stage manufacturers” to own or operate a dealership and provides for manufacturers that obtained a dealer license in Washington prior to January 1, 2014 to operate a new vehicle dealership that exclusively sells the manufacturer’s makes that are not sold by a franchised dealer.
West Virginia	Franchise Law W. Va. Code. §17A-6A-10	NO	West Virginia law prohibits a manufacturer from operating or acting in the capacity of a new vehicle dealer. House Bill 2219 authorizing certain manufacturers to engage in direct-sales was introduced in 2019, but failed. The proposed bill was narrowly-tailored to apply only to Tesla in requiring that a manufacturer be in production since 2008 and exclusively manufacture zero-emission vehicles.
Wisconsin	Franchise Law Wis. Stat. Ann. § 218.0121(2m)	NO	Under Wisconsin law, manufacturers are prohibited from owning, operating, or controlling a vehicle dealership in the state. Assembly Amendment 1 to the 2019 state budget (AB 56) would have allowed electric-vehicle manufacturers without existing franchise agreements to engage in direct-sales, but was vetoed by Governor Evers before the budget was signed into law.
Wyoming	Franchise Law Wyo. Stat. § 31-16-101 ; Senate File 57	YES	In 2017, Wyoming enacted Senate File 57 , amending Wyoming law to explicitly provide for direct-sales of vehicles within the state. The law requires direct-sale manufacturers to obtain a license from the state Department of Transportation prior to operating within the state. Although Wyoming’s direct-sales law does not mention Tesla specifically, it prevents manufacturers that have sold new vehicles through dealerships from transitioning to a direct-sales model. See Wyo. Stat. § 31-16-101 , the definition of direct-

			sales manufacturers does not include “an affiliate or wholly owned subsidiary of a manufacturer’s line make that is presently sold or has previously been sold in [the] state through a new vehicle dealer.”
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