

END THE AUTO DEALER CARTEL

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TOPLINE: Most states require new vehicles to be sold through a franchised dealer. This middleman mandate adds an estimated [\\$3,934 to \\$4,992 to the price of a typical new vehicle](#). States should legalize direct-to-consumer sales for all manufacturers, not just a select few.

BACKGROUND: Dealer-franchise statutes date to the 1930s and were enacted to protect dealers from factory pressure. They are now entry barriers in all 50 states, with some limited manufacturer exemptions for electric vehicles. A March 2026 study estimates this car [“middleman tax” adds 7.9% to 9.9%](#) to the average price of new vehicles. Dealers' inventory carrying costs, retail overhead, and commissions add up. With good cause, the Federal Trade Commission [urged states](#) more than a decade ago to ease these anti-competitive bans for all manufacturers. Narrow carve-outs, most notably for Tesla, compound the anti-competitive problem. For instance, Ohio capped Tesla at [three](#) stores while barring every other automaker from direct sales. Washington, for more than a decade, exempted Tesla before providing a similar carve-out to Rivian and Lucid in March 2026 ([S.B. 6354](#)). Other manufacturers are still prohibited from making direct sales. This cronyism harms consumers while aiding dealers and a select few manufacturers.

Action Items (States and Congress):

- States should **repeal the franchised-dealer sales requirement for all manufacturers.**
- States should **repeal store-count caps and dealer protest rights** over new competing outlets.
- Congress should **shield interstate and online direct vehicle sales from state-law obstruction.**

How It Would Make Life More Affordable:

- Allowing alternatives to dealer intermediation could reduce vehicle costs by an average of [\\$3,934 to \\$4,992](#).
- Build-to-order distribution strips inventory financing out of sticker prices.

Related Legislation: [Washington S.B. 6354](#) (2026).

BOTTOMLINE: The Depression-era auto dealer cartel adds thousands of dollars to the price of new vehicles, and it's time to end it.