

Direct Sales by Tesla in Connecticut

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Issue

You asked (1) why Tesla is prohibited from selling vehicles directly to consumers in Connecticut, (2) if state car dealer licensing laws apply on tribal land, and (3) whether Tesla can legally sell vehicles directly to consumers at Mohegan Sun.

The Office of Legislative Research is not authorized to provide legal opinions, and this report should not be considered one.

Summary

Connecticut law prohibits manufacturers, including Tesla, from selling vehicles directly to consumers (i.e., direct sales). Instead, they must sell their vehicles through licensed car dealers. Legislation to allow direct sales by certain manufacturers has been introduced in nearly every session since 2015 but has not received final passage. However, on July 26, 2023, Tesla and the Mohegan Tribe announced a partnership to open a Tesla sales and delivery center at Mohegan Sun. This has prompted questions about the application of state car dealer regulatory laws to tribal lands and the authority of the Mohegan Tribe to regulate car dealers operating on its lands.

It appears that state car dealer licensing laws do not apply on tribal land, and Tesla can legally sell vehicles to consumers at Mohegan Sun, subject to the requirements of the recently enacted Mohegan tribal ordinance regulating electric vehicle (EV) dealers. Although Tesla began selling on tribal land in New Mexico in 2021, we did not find any challenges to tribal authority in regulating these dealerships or any cases directly on point. However, as a general matter, tribes retain the power of self-governance (sovereignty) over their members and their lands, and the history of U.S.

Supreme Court case law generally affirms tribal civil regulatory jurisdiction over nonmembers on tribal land, particularly those who enter into business relationships with tribes.

Connecticut Law on Direct Sales

Manufacturers must sell through dealers in Connecticut because the dealer franchise model is incorporated into state licensing statutes. State law requires both vehicle manufacturers and dealers to obtain a state license to operate, but it generally does not allow the same entity to hold both licenses. Except under narrow circumstances, entities licensed as manufacturers are prohibited from holding a new or used car dealer's license ([CGS § 14-52b\(b\)](#)). According to the Department of Motor Vehicles (DMV) [website](#), Tesla currently holds a manufacturer's license, as well as a repairer's license and a leasing company license. (While some states prohibit direct repairs by manufacturers, Connecticut is not one of them. Tesla currently operates a [service center](#) in Milford, Connecticut.)

Legislation to allow direct sales (sometimes called “Tesla bills” or “direct sales bills”) has been introduced in almost every session since 2015. The proposal has been voted on by a full chamber (the House) only once (2015), although the proposal has made it out of committee most years since 2015. Generally, these bills would have allowed vehicle manufacturers meeting certain conditions to obtain a dealer's license, but the details and qualifying conditions have changed over time. Initially, in 2015 ([sHB 6682](#)), the bill's conditions were drafted narrowly so that it only applied to Tesla. The most recent bill ([2022 sSB 214](#)) had broader qualifying conditions, but it was still restricted to manufacturers that make only electric vehicles and do not have franchise agreements with in-state dealers.

These bills have been among the more controversial and high-profile bills that the Transportation Committee has taken up and generally attract a lot of public hearing testimony and media coverage. Proponents include Tesla and other emerging manufacturers (e.g., Rivian), owners of their vehicles, and EV advocates. Opponents include car dealers and manufacturers who sell through franchised dealers. (For more information on their arguments, see OLR Report [2019-R-0088](#).)

Direct Sales on Tribal Lands

Tesla's Partnerships With Native American Tribes

Tesla has started partnering with federally recognized Native American tribes to open showrooms and service centers on tribal property in states that restrict or ban direct sales. As a part of these partnerships, Tesla has committed to provide training and job opportunities for tribal members.

In September 2021, Tesla [opened](#) a store and a repair shop — its first on Native American land — in New Mexico in the Nambé Pueblo on the site of a former casino. New Mexico is one of the most restrictive states for Tesla, banning both direct sales and repairs. A year later, Tesla announced a partnership with Santa Ana Pueblo for a second sales, service, and delivery center on tribal land, which [opened](#) in June 2023.

On June 6, 2023, Tesla and the Oneida Indian Nation in New York [announced a partnership](#) for a Tesla sales, service, and delivery center located on the Oneida land. The center is expected to open by 2025, and while it is under construction, Tesla will sell direct to consumers at Turning Stone Resort Casino. New York [banned direct sales](#) of motor vehicles in 2014 but grandfathered five existing Tesla showrooms and service centers.

On July 26, 2023, Tesla and Mohegan Sun [announced](#) a partnership to open a Tesla sales and delivery center in the Shops at Mohegan Sun, located on tribal land. Customers will be able to test drive vehicles around the resort and receive deliveries of vehicles ordered online. The location is set to open this fall.

State Regulatory Jurisdiction on Tribal Land

The U.S. Supreme Court has determined that federally recognized tribes retain inherent sovereign powers of self-government over tribal members and activities on land held in trust for the tribes by the federal government (i.e., tribal land), and tribes' power to license business activities by members and nonmembers on tribal lands is well-established ([U.S. Department of Justice](#) website; Restatement of the Law of American Indians, § 46 (Am. Law. Inst. 2023)). According to the federal [Bureau of Indian Affairs](#) within the Department of the Interior, tribes can exercise this authority independent from state control and can enact and enforce stricter or more lenient laws than those of surrounding states.

However, the boundaries of tribal and state regulatory jurisdiction have been heavily litigated, and the history of Supreme Court decisions is complex and fact-specific. Cases in recent decades have taken a narrower view of tribal jurisdiction over nonmember activities on tribal land, but they generally still affirm tribal civil regulatory jurisdiction over nonmembers on tribal land. This is particularly true in the case of nonmembers who have entered into business relationships (e.g., through leases or contracts) with a tribe or tribal business. The Supreme Court has repeatedly held that nonmembers under these circumstances have consented to tribal jurisdiction, whether they do so explicitly or implicitly (Restatement of the Law of American Indians, § 27).

Mohegan Tribal Ordinance Regulating Electric Vehicle Dealers

On June 14, 2023, the Mohegan Tribal Council enacted an ordinance allowing EV manufacturers that enter into a lease or sublease on tribal lands to operate a dealership and sell, lease, service, and deliver EVs at the dealership, as long as they comply with the ordinance's requirements (Mohegan Tribal Resolution No. [TGA 2023-13](#)).

Findings and Purpose. In adopting the ordinance, the Tribal Council made the following findings, among others:

1. the tribe has a primary interest in protecting and conserving natural resources on tribal lands and has taken many steps to ensure the health of tribal land residents and visitors;
2. the tribe recognizes that survival and well-being depend on the natural environment and that sustainability means creating the conditions in which human beings and nature coexist in productive harmony;
3. the U.S. Environmental Protection Agency has authorized treating the tribe as a state under the Clean Air Act and other federal environmental legislation and enacted a tribal implementation plan to reduce emissions and conserve resources; and
4. the tribe recognizes the need for EV dealers on tribal lands to attract consumers, which will promote economic growth, self-sufficiency, strong tribal government, and the continuation and enhancement of essential tribal government functions, and to maintain and further tribal members' welfare.

In the ordinance, the Tribal Council also found that Congress recognized tribal governments' authority to issue car dealer licenses in the 2022 Inflation Reduction Act. Specifically, when modifying the clean vehicle tax credit ([26 U.S.C. § 30D](#)), Congress defined "dealer," for purposes of the credit, as a person licensed by a state, the District of Columbia, Puerto Rico, a U.S. territory, an Indian tribal government, or any Alaska Native Corporation ([P.L. 117-169](#), § 13401).

Dealer Requirements. The manufacturer must get and maintain a license from the tribe's Regulation and Compliance Department. The license application must include evidence that the manufacturer complies with all federal motor vehicle manufacturer and dealer safety standards and consumer protection laws and the standards applicable in the state in which the vehicle will be registered and titled. The ordinance specifically requires EV dealers to comply with Connecticut's consumer protection laws applicable to manufacturers.

The ordinance also provides a process for issuing temporary registrations to vehicle purchasers or lessees that need them to drive to the state or jurisdiction where the vehicle will be registered.

However, it provides that if any dealer is authorized by the Connecticut DMV to issue permanent registrations, the tribe will recognize those registrations.

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