

Dangerous Dealer License Programs on the Internet

THIS ARTICLE REFLECTS THE OPINION OF ATTORNEY AT LAW JASON HEDJAZI, AND DOES NOT CONSTITUTE LEGAL ADVICE.

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This is just a mere snapshot of what is in my products. There is much more detail in my products if you were to purchase them. The only thing I ask is that you visit <http://www.dealerlicense.com> after you read the free guide, and browse through the very useful products we have to offer to make it easy to get your dealer license and succeed in the car business.

"It's not your State's job to make it easy for you to get a license... It's OUR job!"

THE GENERAL RULE OF THUMB

The general rule is that you need a dealer license in your OWN state if you want to be fully legitimate, or it's a misdemeanor crime. You don't have to be the owner – you can be a manager or corporate officer and it's legal, as long as the license is in your OWN state. Here's why:

Understand that all states have different laws for a reason. Getting a state license in one state doesn't give you the automatic right to do business in another state. Just ask any nurse, doctor, lawyer, contractor, real-estate agent, cosmetologist, etc, and they will confirm this.

Each state makes their own laws for a reason. [Do you want to be your state's first test case?](#)

O.K. let's get to talking about the various programs on the web because I know it's got to be confusing. I'm a car dealer AND a lawyer, and it took me a while to sort them out, so I don't blame you if it's confusing at first.

From my research there are several spin-offs, which have their pros and cons. I will discuss in detail how these programs work and what to look out for.

WHAT IS A 50-STATE DEALER LICENSE?

Any references to a “50-state” license is misleading. It should really be called “50-state *auction buying privileges*”.

There is no such thing as a “National” Dealer’s License. Have you ever heard of a 50-state real-estate agent? Have you ever heard of a 50-state contractor? I didn’t think so! There is no such thing, just like there is no such thing as a 50-state dealer license.

What they REALLY mean to tell you is that a 50-state dealer license lets you BUY from any state.

If you want to PHYSICALLY sell cars to the public from your state, you need a dealer license in your state, **even if the paperwork is done through the mail from an out-of-state location** – it’s that simple.

1. The “Join an Out-of-State Corporation” Program

This program involves a dealer license set up by a Corporation, which has many corporate officers. Your fee would let you become a corporate officer, which actually gives you the same rights as an owner as far as getting into auctions.

Here are the PROs:

- a. You can get into auctions pretty quickly because you are added to an existing dealer’s license.
- b. If the corporation is local and you can physically work out of their location, it’s legal.

Here are the CONs:

- a. If ONE corporate officer screws up, then the entire license goes down with them.
- b. If they are not based locally in your state, you may be committing a misdemeanor crime every time you locally retail a car
- c. You are getting into business with a bunch of business partners you don’t know. If one of them gets into trouble, you will be investigated along with all other corporate officers.
- d. If you read the fine print, the base price is for a "wholesale" license, NOT a retail license. Retail privileges will cost you substantially more. With a "wholesale" license you cannot sell cars to the public!

2. The “In-State Corporation” Program

This program involves a dealer license set up by a Corporation in your own state, which has many corporate officers. Your fee would let you become a corporate officer, which actually gives you the same rights as an owner as far as getting into auctions. In some cases, YOU will be the “pawn” and YOU will set up the dealer license yourself and have others join your license.

Here are the PROs:

- a. If the corporation is local and you can physically work out of the location, it's legal.

Here are the CONs:

- a. If one corporate officer screws up, then the entire license goes down with you.
- b. You are getting into business with a bunch of business partners you don't know. If one of them gets into trouble, you will be investigated along with all other corporate officers.
- c. If it's in your name anyways, you could have set it up yourself anyways, so you don't have to rely on others.

3. The “Out of State Dealer License” Program

This is probably the most common program out there. This program involves YOU flying to another state to set up a dealer license in your own name, where you rent a small cubicle in a large office building.

Here are the PROs:

- a. If your state is tough, this makes it easier.

Here are the CONs:

- a. Since your license is not based locally in your state, you may be committing a misdemeanor crime every time you locally retail a car, even if the paperwork is done through your out-of-state company.
- b. Traveling to another state to set the license up is time consuming and expensive
- c. If you find retail customers, it's a hassle because the paperwork goes through the out-of-state business.
- d. In many cases, it's the same price or cheaper to set up a license in your own name in your own state.

- e. When your buyer finds out you are selling a car with an out-of-state dealer's license, it will appear shady to them and they might call your DMV to make sure you're legitimate and the DMV will bust you because you are NOT licensed in your state.
- f. If you read the fine print, the base price is for a "wholesale" license, NOT a retail license. Retail privileges will cost you substantially more. With a "wholesale" license you cannot sell cars to the public!

CONCLUSION:

You are MUCH better off getting your own license in your own state for the reasons above. If you get involved with any other program, it's my ethical obligation as a lawyer to inform you to do some research on your own BEFORE giving money to these out of state programs.

I will not comment on any specific program, because there are several out there - some good / some bad, but keep these issues in mind: Generally, if you are wholesaling, which means exporting, or selling to dealers or wholesalers, (NOT to the public), then generally, there is no problem with out-of-state licenses.

However, it may be a crime to RETAIL a car to the public in your state with an out of state license. For example, it's illegal to work as a real-estate agent in your state with an out-of-state license. Similarly, if you are a licensed contractor in another state, you can't do business in your state unless you have a contractor's license in your state. The dealer's license is the same - it's a state-issued license and all states have different laws.

Since your license is not based locally in your state, you may be committing a misdemeanor crime every time you locally retail a car, even if the paperwork is done through your out-of-state company.

Here are some suggestions: I would:

1. Get something in writing from a DMV Investigator that says it's O.K. - (Write them a simple letter.)
2. Contact the District Attorney's office and/ or City Attorney to ask them if it's O.K. in writing. (*Write them a simple letter to clarify the law on unlicensed auto sales and ask them if the program you are thinking about is O.K.*).
3. Contact a local Attorney in your area to make sure it's legal.

If all the above say "O.K.", I'd think it's fine. Good luck, be safe and respect the laws!!!