

Fair Market Value at Wholesale of Marijuana

- Pursuant to the Cannabis Compliance Board's regulation, NCCR 1.095, Fair Market Value is defined as the value established by the Nevada Department of Taxation (Department) based on the price that a buyer would pay to a seller in an arm's length transaction for marijuana in the wholesale market. NRS 678B requires the Department to determine the Fair Market Value at Wholesale of marijuana.
- NAC 453D.236(6)¹ sets forth that the Department will calculate the Fair Market Value at Wholesale using reported sales or transfers of each category of marijuana.
- The Fair Market Values at Wholesale are utilized by the Department in levying the wholesale excise tax imposed pursuant to NRS 372A.290 on the sale of marijuana by a marijuana cultivation facility.
- The Fair Market Value at Wholesale rates for each category will be posted to the Department's website and shall be used to calculate the tax on the Wholesale Marijuana Tax Return.

Beginning January 1, 2021, The Department will set the Fair Market Value at Wholesale to the following:

Fair Market Value at Wholesale

Flower (lb)	Trim (lb)	Small Bud (lb)	Wet Whole Plant (lb)	Immature Plant (ea)	Pre-Roll (ea)	Flower Approved for Extraction (lb)	Trim Approved for Extraction (lb)	Seeds (ea)
\$2,100	\$422	\$1,515	\$277	\$51	\$5.00	\$299	\$300	\$6.00

The Fair Market Values at Wholesale were calculated based on marijuana cultivator transactions recorded by the Cannabis Compliance Board's seed-to-sale tracking system from April 1 through September 30, 2020. Due to the limited number of arm's length transactions, the Fair Market Value for the Immature Plant category was calculated based on transactions over the period from April 1, 2019 through September 30, 2020. The Fair Market Value for the Seeds category will be re-established at the previous historical price, while the sales prices will be monitored over the next reporting period.

The next determination of the Fair Market Value at Wholesale rates will take effect July 1, 2021 and will cover transfers made between October 1, 2020 and March 31, 2021.

Methodology

The Department determined that the excise tax upon wholesale transfers of marijuana can effectively be levied upon nine product categories:

1. Flower

¹ Section 240 of AB 533 (2019) provides that the administrative regulations adopted by the Department of Taxation pursuant to chapters 453A and 453D remain in force and are transferred to the Cannabis Compliance Board (CCB) on July 1 and will be interpreted to apply until they are repealed. Consequently, NAC 453D.236 will remain in force until the CCB repeals that provision or the Department adopts a similar regulation. Sec. 122.5 of AB 533 (2019) codified as NRS 678B.640 provides that the Department of Taxation shall adopt regulations to establish procedures to determine the fair market value at wholesale of cannabis. The Board shall furnish the Department with such information as the Department determines to be necessary to adopt the regulations required by this section. Currently, the Department is working on proposed regulation LCB File No. R108-201 which will replace NAC 453D.236 once adopted.

2. Trim
3. Small Bud
4. Wet Whole Plants
5. Immature Plants
6. Seeds
7. Pre-Rolls
8. Unsalable Flower Approved for Extraction
9. Unsalable Trim Approved for Extraction

The Seeds category was one of the original product categories from the initial Fair Market Value at Wholesale determination on July 1, 2017. However, by January 2019 the Marijuana Enforcement Division at the Department of Taxation recommended that the category be removed due to lack of transfers. The Cannabis Compliance Board has since requested that the Seeds category be re-introduced.

In order to comply with NRS 453D, the Department collected wholesale transaction records for the period April 1, 2020 through September 30, 2020 to establish the Fair Market Value at Wholesale for each category (with the exceptions for Immature Plants and Seeds outlined above).

The recorded sales were standardized by adjusting actual sale prices to per-pound or per-unit amounts. Flower, trim, small bud, wet whole plants, flower approved for extraction, and trim approved for extraction are all valued by the pound. Immature plants, pre-rolls, and seeds are valued by individual unit.

Sales that were labeled as internal transfers, samples, displays, promos, testers, or trials were removed as these are not considered to be typical arm's length transactions between buyers and sellers in a wholesale market. Standardized prices less than fifteen percent or more than five hundred percent of the previous Fair Market Value at Wholesale were removed as outliers.

Finally, the Fair Market Value at Wholesale for each category was determined to be the median of the standardized price per pound or per unit after internal transfers, samples/promos, and outliers were removed from the dataset.

Summary Statistics - Standardized Prices

Measure	Flower (lb)	Trim (lb)	Small Bud (lb)	Wet Whole Plant (lb)	Immature Plant (ea)	Pre-Roll (ea)	Flower Approved for Extraction (lb)	Trim Approved for Extraction (lb)	Seeds (ea)
Max	\$10,600	\$2,268	\$8,165	\$1,054	\$125	\$25	\$2,268	\$550	N/A
Min	\$322	\$77	\$299	\$86	\$8	\$0.75	\$86	\$99	N/A
Median	\$2,100	\$422	\$1,515	\$277	\$51	\$5.00	\$299	\$300	N/A
Mean	\$2,110	\$485	\$1,789	\$241	\$51	\$5.96	\$400	\$314	N/A
Mode	\$2,527	\$810	\$1,748	\$350	\$51	\$5.00	\$201	\$200	N/A
Standard Deviation	\$837	\$329	\$1,175	\$138	\$30	\$3.25	\$405	\$113	N/A
Number of Observations	29,878	2,343	3,081	91	37	10,576	338	133	N/A