

## **REVISED - Fair Market Value at Wholesale of Cannabis**

- 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 cannabis in the wholesale market. NRS 678B requires the Department to determine the Fair Market Value at Wholesale of cannabis.
- NAC 372A.155 sets forth that the Department will calculate the Fair Market Value at Wholesale using reported sales or transfers of each category of cannabis.
- 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 cannabis by a cannabis cultivation facility.
  - Due to the implementation of AB430 on January 1, 2024, the wholesale excise tax is 15% on the first wholesale sale calculated on the Fair Market Value for affiliate sales and calculated on the sales price for non-affiliate sales.
    - “Affiliate” is defined by AB430 as “a person who, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, a specified person.”
- 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 Cannabis Tax Return.

### **Effective January 1, 2024, The Fair Market Value at Wholesale is the following:**

<b>Fair Market Value at Wholesale</b>							
<b>Small Bud (lb)</b>	<b>Flower (lb)</b>	<b>Trim (lb)</b>	<b>Immature Plant (ea)</b>	<b>Wet Whole Plant (lb)</b>	<b>Pre-Roll (lb)</b>	<b>Flower Approved for Extraction (lb)</b>	<b>Trim Approved for Extraction (lb)</b>
\$1,291	\$1,620	\$204	\$51	\$188	\$2,041	\$200	\$200

The Fair Market Values at Wholesale were calculated based on cannabis cultivator transactions recorded by the Cannabis Compliance Board’s seed-to-sale tracking system (METRC) from September 1, 2023 through November 30, 2023. Due to the limited number of arm’s length transactions of immature plants, the Fair Market Value for the Immature Plant category was calculated based on transactions over a two-year period from December 2021 through November 2023.

Effective January 1, 2024, seeds are no longer subject to the Wholesale Cannabis Tax pursuant to Senate Bill 277.

Also effective January 1, 2024, the pre-roll category transitioned from a per unit based category to a weight-based category, as workshopped with the industry in 2022 and presented at the Cannabis Compliance Board training held on November 15, 2023.

The next determination of rates for the Fair Market Value at Wholesale will take effect April 1, 2024 and will be based upon wholesale transfers made between December 1, 2023 and February 29, 2024.

## **Methodology**

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

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

In compliance with NRS 678B, the Department collected wholesale transfer records for the period September 1, 2023 to November 30, 2023 to calculate the Fair Market Value at Wholesale for each category (with the exception of Immature Plants outlined above).

\*The current Fair Market Value Determination of pre-rolls included data as reported by industry for pre-roll transfers per unit rather than by weight in the seed-to-sale tracking system. However, the Department utilized the weight of the cannabis per pre-roll as reported in the industry's seed-to-sale product list in conjunction with the wholesale transfer reports to calculate the weights transferred per transaction.

The recorded sales were standardized by adjusting actual sale prices to per-pound or per-unit amounts. Flower, trim, small bud, wet whole plants, pre-rolls, flower approved for extraction, and trim approved for extraction are all valued by the pound. Immature plants 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, except for the pre-roll category as there was no prior weight-based Fair Market Value to compare. The pre-roll category contained only one outlier as it was priced over eighteen hundred percent above the median price and this transaction was eliminated from the dataset.

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, as applicable, after internal transfers, samples/promos, and outliers were removed from the dataset.

**Summary Statistics - Standardized Prices**

<b>Measure</b>	<b>Small Bud (lb)</b>	<b>Flower (lb)</b>	<b>Trim (lb)</b>	<b>Immature Plant (ea)</b>	<b>Wet Whole Plant (lb)</b>	<b>Pre-Roll (lb)</b>	<b>Flower Approved for Extraction (lb)</b>	<b>Trim Approved for Extraction (lb)</b>
<b>Max</b>	\$5,314	\$8,100	\$1,075	\$250	\$280	\$9,798	\$300	\$780
<b>Min</b>	\$200	\$300	\$54	\$8	\$149	\$2	\$28	\$30
<b>Median</b>	<b>\$1,291</b>	<b>\$1,620</b>	<b>\$204</b>	<b>\$51</b>	<b>\$188</b>	<b>\$2,041</b>	<b>\$200</b>	<b>\$200</b>
<b>Mean</b>	\$1,228	\$1,833	\$438	\$48	\$196	\$2,123	\$214	\$202
<b>Mode</b>	\$972	\$2,592	\$1,060	\$51	N/A	\$1,361	\$300	\$200
<b>Standard Deviation</b>	\$344	\$700	\$369	\$39	\$49	\$815	\$62	\$66
<b>Number of Observations</b>	5,720	22,230	1,355	134	38	10,017	309	146

*Please note that the number of observations stated above represent the number of separate transactions recorded in the seed-to-sale tracking system, not necessarily the number of units sold.*

For inquiries on the Fair Market Value data, please submit a public records request. Information on submitting a public records request can be found here:

[https://tax.nv.gov/Contact/Information\\_Request/](https://tax.nv.gov/Contact/Information_Request/)