

Fair Market Value at Wholesale of Marijuana

- NRS 453D requires the Department to determine the Fair Market Value at Wholesale of retail marijuana. Pursuant to permanent regulation LCB File No. R092-17, 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.
- LCB File No. R092-17 sets forth that the Department will calculate the Fair Market Value at Wholesale using reported sales or transfers of each category.
- The Fair Market Value at Wholesale rate will be posted to the Department's website and shall be used to calculate the tax on the Wholesale Marijuana Return.
- The Fair Market Value at Wholesale is utilized by the Department in levying the wholesale excise tax imposed pursuant to NRS 453D.500 on the sale of marijuana by a marijuana cultivation facility.
- The Fair Market Value at Wholesale was calculated based on marijuana cultivator transactions recorded from April 1, 2018 through September 30, 2018, as requested by the Department.
- The Department has added two new wholesale categories for marijuana flower and trim which were deemed to be unsalable, but have been approved for extraction pursuant to Section 210(1) of LCB File No. R092-17 (NAC 453D).
- The next determination of the Fair Market Value at Wholesale Rate will be published for July 1, 2019. Detailed transaction reports shall be submitted by each marijuana cultivation facility to the Department by April 30, 2019. The reports must include transactions from October 1, 2018 through March 31, 2019.

Beginning January 1, 2019, 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)	Unsalable Flower Approved for Extraction (lb)	Unsalable Trim Approved for Extraction (lb)
\$2,303.00	\$794.00	\$2,041.00	\$191.00	\$51.00	\$5.00	\$850.00	\$617.00

Methodology

The Department determined that the excise tax upon wholesale sales of retail marijuana can effectively be levied upon eight product categories:

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

Discontinued category: Seed

All of these categories are taxed by weight in pounds, except for pre-roll marijuana cigarettes/joints and immature plants which are taxed by individual unit.

The Department collected sales data for the period April 1, 2018 through September 30, 2018 from marijuana cultivators for each category to establish the Fair Market Value at Wholesale in order to comply with NRS 453D.

Summary Statistics (All Raw Data)

	Flower (lb)	Trim (lb)	Small Bud (lb)	Wet Whole Plant (lb)	Immature Plant (ea)	Pre-Roll (ea)	Unsalable Flower (lb)	Unsalable Trim (lb)
Max	\$2,291,095	\$5,897	\$10,492	\$361	\$100	\$15	\$3,946	\$3,003
Min	-\$340	\$0.01	-\$222	\$155	\$0.01	\$1.40	\$192	\$0.01
Median	\$2,304	\$785	\$2,041	\$200	\$51	\$5.00	\$872	\$617
Mean	\$2,442	\$936	\$2,005	\$210	\$38	\$4.93	\$1,155	\$611
Mode	\$1,352	\$821	\$1,436	\$191	\$51	\$5.00	\$3,003	\$898
Standard Deviation	\$18,429	\$1,014	\$758	\$45	\$24	\$1.23	\$849	\$314
Number of Observations	15,452	1,587	1,713	23	23	8,009	311	164

Summary Statistics (Excluding Outliers)

	Flower (lb)	Trim (lb)	Small Bud (lb)	Wet Whole Plant (lb)	Immature Plant (ea)	Pre-Roll (ea)	Unsalable Flower (lb)	Unsalable Trim (lb)
Max	\$4,050	\$1,012	\$4,046	\$203	\$100	\$8.16	\$1,530	\$1,012
Min	\$58	\$413	-\$222	\$191	\$0.01	\$1.40	\$192	\$0.01
Median	\$2,303	\$794	\$2,041	\$191	\$51	\$5.00	\$850	\$617
Mean	\$2,266	\$740	\$2,000	\$195	\$38	\$4.93	\$801	\$596
Mode	\$1,352	\$821	\$1,436	\$191	\$51	\$5.00	\$850	\$898
Standard Deviation	\$630	\$113	\$730	\$4.63	\$24	\$1.22	\$275	\$253
Number of Observations	15,383	1,416	1,712	19	23	8,007	261	163

For each taxable category, the raw data (including outliers) were analyzed and the maximum rate, minimum rate, median, mean, mode and the population standard deviation were calculated.

Outliers were determined by first finding the range between the 25th percentile and 75th percentile rates and multiplying that range by 1.5. Any reported values lower than the 25th percentile by this amount, or greater than the 75th percentile by this amount, were determined to be outliers and excluded from the subsequent analysis of the data. This method is commonly known as Tukey's rule.

The Fair Market Value at Wholesale is determined to be the median rate after outliers (if any) are removed from the data.

The Department has eliminated the wholesale category for seeds as of January 1, 2019 due to a lack of reported transactions.