

Fair Market Value at Wholesale

- 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 transfer 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 October 1, 2017 through March 31, 2018, as requested by the Department.
- The next determination of the Fair Market Value at Wholesale Rate will be published for January 1, 2019. Detailed transaction reports shall be submitted by each marijuana cultivation facility to the Department by October 31, 2018. The reports must include transactions from April 1, 2018 through September 30, 2018.

Beginning July 1, 2018, The Department will set the Fair Market Value at Wholesale to the following:

| Fair Market Value at Wholesale | Flower Rate (LB) | Trim Rate (LB) | Small Bud (LB) | Wet Whole Plant (LB) | Immature Plant (EA) | Seed (EA) | Pre-Roll (EA) |
|--------------------------------|------------------|----------------|----------------|----------------------|---------------------|-----------|---------------|
| | \$ 2,799 | \$ 798 | \$ 2,227 | \$ 145 | \$ 41 | \$ 6 | \$ 5.00 |

Summary Statistics (Including Outliers)

| | Flower Rate (LB) | Trim Rate (LB) | Small Bud (LB) | Wet Whole Plant (LB) | Immature Plant (EA) | Seed (EA) | Pre-Roll (EA) |
|---------------------------|------------------|----------------|----------------|----------------------|---------------------|-----------|---------------|
| Max Rate | \$ 10,616 | \$ 4,225 | \$ 4,046 | \$ 567 | \$ 120 | \$ 6 | \$ 2,500 |
| Min Rate | \$ 0.01 | \$ 96 | \$ 274 | \$ 3.82 | \$ 4.54 | \$ 6 | \$ - |
| Median Rate | \$ 2,798 | \$ 798 | \$ 2,262 | \$ 145 | \$ 41 | \$ 6 | \$ 5.00 |
| Mean Rate | \$ 2,545 | \$ 802 | \$ 2,289 | \$ 202 | \$ 61 | \$ 6 | \$ 5.48 |
| Mode Rate | \$ 1,352 | \$ 900 | \$ 1,500 | \$ 567 | \$ 120 | \$ 6 | \$ 5.00 |
| Standard Deviation | \$ 705 | \$ 282 | \$ 817 | \$ 241 | \$ 54 | * | \$ 27.80 |
| N | 14,858 | 1,670 | 1,555 | 15 | 14 | * | 8,067 |

Summary Statistics (Excluding Outliers)

| | Flower Rate (LB) | Trim Rate (LB) | Small Bud (LB) | Wet Whole Plant (LB) | Immature Plant (EA) | Seed (EA) | Pre-Roll (EA) |
|---------------------------|------------------|----------------|----------------|----------------------|---------------------|-----------|---------------|
| Max Rate | \$ 3,867 | \$ 1,347 | \$ 3,743 | \$ 567 | \$ 120 | \$ 6 | \$ 25.00 |
| Min Rate | \$ 1,136 | \$ 286 | \$ 700 | \$ 3.82 | \$ 4.54 | \$ 6 | \$ - |
| Median Rate | \$ 2,799 | \$ 798 | \$ 2,227 | \$ 145 | \$ 41 | \$ 6 | \$ 5.00 |
| Mean Rate | \$ 2,604 | \$ 783 | \$ 2,269 | \$ 202 | \$ 61 | \$ 6 | \$ 5.17 |
| Mode Rate | \$ 1,352 | \$ 900 | \$ 1,500 | \$ 567 | \$ 120 | \$ 6 | \$ 5.00 |
| Standard Deviation | \$ 642 | \$ 160 | \$ 783 | \$ 241 | \$ 54 | * | \$ 1.24 |
| N | 14,517 | 1,628 | 1,521 | 15 | 14 | * | 8,066 |

* No sales data reported. Fair Market Value will remain at the same rate as that for the period January 1, 2018 through June 30, 2018.

Fair Market Value at Wholesale Rate Methodology

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

1. Flower
2. Small Bud
3. Trim
4. Wet Whole Plants
5. Immature Plants
6. Pre-Rolls
7. Seeds

The Department collected sales data for the period October 1, 2017 through March 31, 2018 from marijuana cultivators for each category to establish the Fair Market Value at Wholesale in order to comply with NRS 453D.

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

A histogram was generated for each taxable category and evaluated to see if the distribution of data approximated a standard normal distribution.

The data for Flower, Trim, Small Bud and Pre-Roll approximated a normal distribution. For these taxable categories outliers were identified using z-scores with any z-scores less than -3 or greater than 3 considered outliers. Outliers were excluded and the summary statistics recalculated.

There were very few observations for the Wet Whole Plant (N=15) and Immature Plant (N=14) categories so all data were included in the calculation of fair market value.

For Flower, Trim, Small Bud, Wet Whole Plant, Immature Plant, and Pre-Roll the median was used to determine the Fair Market Value at Wholesale.

No sales were reported for seeds throughout the period. The Department has established the rate for this category for this period based on the rate for the previous period.