

Fair Market Value at Wholesale of Marijuana

- NRS 453D requires the Department to determine the Fair Market Value at Wholesale of marijuana. Pursuant to NAC 453D.045, 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.
- NAC 453D.236(6) 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 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 Return.
- The Fair Market Values at Wholesale are 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 Values at Wholesale were calculated based on marijuana cultivator transactions recorded by the Department's seed-to-sale tracking system from April 1, 2019 through September 30, 2019.
- The next determination of the Fair Market Value at Wholesale rates will be published for July 1, 2020.
- Detailed transaction reports shall be submitted by each marijuana cultivation facility to the Department by April 30, 2020. The reports must include transactions from October 1, 2019 through March 31, 2020.

Beginning January 1, 2020, 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)
\$2,398	\$550	\$1,696	\$297	\$51	\$5.75	\$568	\$546

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

In order to comply with NRS 453D, the Department collected wholesale transaction records for the period April 1, 2019 through September 30, 2019 to establish the Fair Market Value at Wholesale for each category.

Summary Statistics - Standardized Prices

	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)
Max	\$10,675	\$2,989	\$9,462	\$580	\$125	\$23	\$2,637	\$1,182
Min	\$345	\$90	\$299	\$22	\$8	\$0.75	\$112	\$90.72
Median	\$2,398	\$550	\$1,696	\$297	\$51	\$5.75	\$568	\$546
Mean	\$2,325	\$598	\$1,878	\$266	\$61	\$5.76	\$617	\$503
Mode	\$2,608	\$810	\$1,696	\$200	\$125	\$6.00	\$699	\$499
Standard Deviation	\$708	\$289	\$1,020	\$97	\$47	\$2.77	\$277	\$199
Number of Observations	27,770	2,256	4,184	238	13	13,157	444	70

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 and pre-rolls are valued by individual unit. In some cases, pre-roll sales were recorded by weight. In these instances, one gram was used to represent a single pre-roll.

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.