1. Working group name:

*Taxation/Revenue/Regulatory Structure Working Group*

1. Individual sponsor(s):

*John Ritter, Nevada Dispensary Association*

*Steve Gilbert, Program Manager, Medical Marijuana Program*

1. Describe the recommendation:

*The Taxation/Revenue/Regulatory Structure Working Group recommends that the excise tax on all wholesale cannabis (whether it is later sold at the dispensary as medical or recreational) be the same as the 15% tax on recreational cannabis at the wholesale level as provided for in IP1 and that it should be administered in the same manner. This tax will replace the current two or three tiered wholesale/retail system applied to medical cannabis (three if the cannabis is first sold to a production facility before being sold to a dispensary) at 2% per tier. By taxing all wholesale cannabis at the same rate and in the same manner you allow the cannabis, and products produced from that cannabis, to be "single streamed" and designated as medical or recreational at the point of purchase at the retail level. This will allow for a much more efficient process for both the government and private sectors.*

1. Which guiding principle(s) does this recommendation support?

*Guiding Principle 2 - Ensure that youth are protected from the risks associated with marijuana, including preventing the diversion of marijuana to anyone under the age of 21*

*Guiding Principle 4 – Propose efficient and effective regulation that is clear and reasonable and not unduly burdensome.*

*Guiding Principle 6 - Establish regulations that are clear and practical, so that interactions between law enforcement (at the local, state and federal levels), consumers, and licensees are*

*predictable and understandable*

1. What provision(s) of Question 2 does this recommendation apply to?

 *Question 2 states the Department of Taxation is required to regulate the marijuana establishments. By allowing for “single streamed,” cannabis can be cultivated or produced and then designated medical or recreational based on the current market demand at the time. Having this ability will assist the industry in cultivating, producing and stocking dispensary inventory based on recreational customer or patient demand and avoid an excess or shortage of inventory in the different categories. Streamlining the flow of inventory through the seed to sale process will help avoid over inventory situations and potential illegal diversion of excess product. The Department of Taxation will be able to more effectively regulate this segment of the industry if the supply chain is efficiently streamlined so the correct amount of inventory / medicine is always produced and designated.*

1. What issue(s) does the recommendation resolve?

*This recommendation would resolve the inefficiencies created by requiring the industry to separately inventory and track wholesale cannabis product as medical and retail when that product is identical and grown under the same conditions at the same time. There is no logical reason that the product needs to be designated as medical or recreational until a retail sale occurs. In States where this is done, like Colorado, the regulators and the industry regularly cite the requirement to track and inventory medical and recreational cannabis separately from seed to sale as unnecessary, highly inefficient and cumbersome.*

1. Was there dissent in the group regarding this recommendation? If yes, please provide a summary of the dissenting opinion regarding the recommendation.

*No dissent*

1. What action(s) will be necessary to adopt the recommendation? Will statute, policy, regulations, etc. need to be addressed?

*This change will require legislation to change the current tax structure on medical cannabis to reflect the tax structure mandated by IP1*

*NRS 372A.290 will need to be amended as follows:*

***NRS 372A.290  Imposition and amount of tax; distribution of revenue collected.***

~~1.  An excise tax is hereby imposed on each wholesale sale in this State of marijuana by a cultivation facility to another medical marijuana establishment at the rate of 2 percent of the sales price of the marijuana. The excise tax imposed pursuant to this subsection is the obligation of the cultivation facility.~~

~~2.  An excise tax is hereby imposed on each wholesale sale in this State of edible marijuana products or marijuana-infused products by a facility for the production of edible marijuana products or marijuana-infused products to another medical marijuana establishment at the rate of 2 percent of the sales price of those products. The excise tax imposed pursuant to this subsection is the obligation of the facility for the production of edible marijuana products or marijuana-infused products which sells the edible marijuana products or marijuana-infused products to the other medical marijuana establishment.~~

      ***1***.  An excise tax is hereby imposed ***and must be collected by the State respecting wholesale sales of medical marijuana in this State by a medical marijuana cultivation facility at a rate of 15 percent of the fair market value at wholesale of the medical marijuana, the fair market value as determined by the Department of Taxation pursuant to NRS 453D.200(1)(l).*** ~~on each retail sale in this State of marijuana, edible marijuana products or marijuana-infused products by a medical marijuana dispensary at the rate of 2 percent of the sales price of the marijuana, edible marijuana products or marijuana-infused products.~~ The excise tax imposed pursuant to this subsection:

      (a) Is the obligation of the medical marijuana ~~dispensary~~ ***cultivation facility, and;***

      (b) Is separate from and in addition to any general state and local sales and use taxes that apply to retail sales of tangible personal property.

~~(c) Must be considered part of the total retail price to which general state and local sales and use taxes apply.~~

*The working group recommends that the revenue distribution will need to be addressed prior to implementation.*

1. Additional information (cost of implementation, priority according to the recommendations, etc.).

*None*