

Silver State Government Relations



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Shellie Hughes
Executive Director
Nevada Department of Taxation
1550 College Parkway, Suite 115
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November 21, 2022

Dear Director Hughes:

The Sierra Cannabis Coalition, a coalition of Nevada cannabis license holders whose operations focus on the cultivation, production, retail distribution, and sale of cannabis and cannabis products, writes this letter to the Department of Taxation disagrees with positions stated by the Department of Taxation during the discussion at the November 17, 2022 department workshop. The Coalition's core goal is to help craft policy that will put Nevada cannabis license holders on better economic footing as Nevada's cannabis industry matures. The Sierra Cannabis Coalition would like to express our concerns with the discussion that occurred around T004-22 and the implications to current cannabis operations, specifically at retail cannabis stores and production facilities.

Since the inception of retail sales in Nevada, cannabis retail stores have listed a line item for the 10% excise tax that is paid at the register, with the understanding of the Department of Taxation. At that time a policy was introduced to account for Nevada's recognition of Medical Marijuana patients and their exemption from Nevada's new retail excise tax. The policy implemented, for documentation purposes, allowed retailers to document Nevada's excise tax as a separate charge to the customer. This allowed operators to charge all sales taxes and excise taxes to the cost of the goods sold, without inflating taxes paid by charging either sales tax on to excise tax or excise tax on top of sales tax. Additionally, this gave the industry a clear way to document and record the excise tax on retail cannabis customers while not adding the same charge to medical marijuana customers.

Without any previous guidance from the Department of Taxation, we were informed at the November 17 workshop that the reinstatement of the language in T004-22 will disrupt this long-standing policy. As T004-22 is the reinstatement of a previous regulation, the Sierra Cannabis Coalition struggles to justify why operators would have to change how Nevada's customers have become accustomed to purchasing their cannabis. Even when referencing the Department of

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Taxation cannabis excise tax [FAQ](#), the operations as they are today are as cannabis retailers were directed to do. It mentions charging excise tax upon the sales price and it explicitly asks for all taxes to be charged separately, as current operations do today.

As we continue to combat the illicit cannabis market, cannabis operators are very conscious of the dangers of implementing excessive price jumps on their customers. Cannabis consumers are quite price-sensitive; a 10% increase in listed menu prices will confuse some customers and deter others.

Thus, in summary, the Sierra Cannabis Coalition cannot support the policy changes related to T004-22 because it forces, unnecessarily, every retail cannabis operation to change how they record Nevada's excise tax, and it will have a detrimental impact on competitiveness, all within the context of a still thriving black market. As none of the regulations around excise tax will be new language, and there have been no filed complaints over the taxing of cannabis sales, we would ask that the Department modify its regulations to encompass the current reality of retail cannabis sales.

To continue, as stated in the workshop, the Sierra Cannabis Coalition here again expresses our concerns with section 36 and some of the language relating to prerolls. The definition in section 36, subparagraph 6, states prerolls are manufactured at cannabis production facilities. Nevertheless, production facilities do not currently pay the fair market value at wholesale tax on any products leaving their facilities. All products entering a cannabis production facility do so after having paid the fair market value at wholesale. Preroll cannabis products are primarily produced at cannabis cultivation facilities, and we recommend the regulation continues to reflect that by changing "production" to "cannabis cultivation facility."

Thank you for your consideration of these important issues to Nevada's cannabis industry. As always, we stand ready to assist the Department in any way we can to help craft the appropriate policies for the state of Nevada. Please do not hesitate to utilize either the Sierra Cannabis Coalition or other members of the Nevada cannabis industry when formulating such policy changes that impact Nevada's cannabis businesses.

Thank you,

Will Adler
Director
Sierra Cannabis Coalition