

## **Fair Market Value at Wholesale of Cannabis**

- Pursuant to the Cannabis Compliance Board’s regulation, NCCR 1.095, 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 cannabis in the wholesale market. NRS 678B requires the Department to determine the Fair Market Value at Wholesale of cannabis.
- NAC 372A.155 sets forth that the Department will calculate the Fair Market Value at Wholesale using reported sales or transfers of each category of cannabis.
- The Fair Market Values at Wholesale are utilized by the Department in levying the wholesale excise tax imposed pursuant to NRS 372A.290 on the sale of cannabis by a cannabis cultivation facility.
- 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 Cannabis Tax Return.

### **Beginning April 1, 2023, The Department will set the Fair Market Value at Wholesale to the following:**

<b>Fair Market Value at Wholesale</b>								
<b>Small Bud (lb)</b>	<b>Flower (lb)</b>	<b>Trim (lb)</b>	<b>Immature Plant (ea)</b>	<b>Wet Whole Plant (lb)</b>	<b>Seeds (ea)</b>	<b>Pre-Roll (ea)</b>	<b>Flower Approved for Extraction (lb)</b>	<b>Trim Approved for Extraction (lb)</b>
\$1,361	\$1,751	\$241	\$51	\$150	\$6.00	\$4.14	\$150	\$200

The Fair Market Values at Wholesale were calculated based on cannabis cultivator transactions recorded by the Cannabis Compliance Board’s seed-to-sale tracking system from December 1, 2022 through February 28, 2023. Due to the limited number of arm’s length transactions of immature plants, the Fair Market Value for the Immature Plant category was calculated based on transactions over a two-year period from March 2021 through February 2023. The Fair Market Value for the Seeds category will be maintained at its current level due to a similar lack of arm’s length transactions.

The next determination of the Fair Market Value at Wholesale rates will take effect July 1, 2023 and will be based upon wholesale transfers made between March 1, 2023 and May 31, 2023.

### **Methodology**

The Department determined that the excise tax upon wholesale transfers of cannabis can effectively be levied upon nine product categories:

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

In order to comply with NRS 678B, the Department collected wholesale transfer records for the period December 1, 2022 to February 28, 2023 for use in calculating the Fair Market Value at Wholesale for each category (with the exceptions of Immature Plants and Seeds outlined above).

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, pre-rolls, and seeds are valued by individual unit.

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.

**Summary Statistics - Standardized Prices**

Measure	Small Bud (lb)	Flower (lb)	Trim (lb)	Immature Plant (ea)	Wet Whole Plant (lb)	Seeds (ea)	Pre-Roll (ea)	Flower Approved for Extraction (lb)	Trim Approved for Extraction (lb)
<b>Max</b>	\$3,497	\$7,517	\$1,485	\$250	\$467	N/A	\$23	\$1,100	\$399
<b>Min</b>	\$291	\$292	\$45	\$8	\$76	N/A	\$0.90	\$45	\$60
<b>Median</b>	<b>\$1,361</b>	<b>\$1,751</b>	<b>\$241</b>	<b>\$51</b>	<b>\$150</b>	N/A	<b>\$4.14</b>	<b>\$150</b>	<b>\$200</b>
<b>Mean</b>	\$1,324	\$1,866	\$242	\$42	\$180	N/A	\$5.11	\$201	\$208
<b>Mode</b>	\$1,620	\$2,592	\$272	\$51	\$150	N/A	\$5.00	\$299	\$200
<b>Standard Deviation</b>	\$407	\$703	\$181	\$29	\$83	N/A	\$3.57	\$173	\$98
<b>Number of Observations</b>	3,836	20,005	2,038	95	108	N/A	8,565	294	109

*Please note that the number of observations stated above represent the number of separate transactions recorded in the seed-to-sale tracking system, not necessarily the number of units sold.*