

## 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 453D.236(6)<sup>1</sup> 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 January 1, 2022, The Department will set the Fair Market Value at Wholesale to the following:

Fair Market Value at Wholesale								
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)
\$1,748	\$2,462	\$299	\$51	\$270	\$6.00	\$5.00	\$299	\$254

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 April 1, 2021 through September 30, 2021. 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 October 2019 through March 2021. 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, 2022 and will be based upon wholesale transfers made between October 1, 2021 and March 31, 2022.

### **Methodology**

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

1. Small Bud

---

<sup>1</sup> Section 240 of AB 533 (2019) provides that the administrative regulations adopted by the Department of Taxation pursuant to chapters 453A and 453D remain in force and are transferred to the Cannabis Compliance Board (CCB) on July 1, 2020 and will be interpreted to apply until they are repealed. Consequently, NAC 453D.236 will remain in force until the CCB repeals that provision or the Department adopts a similar regulation. Sec. 122.5 of AB 533 (2019) codified as NRS 678B.640 provides that the Department of Taxation shall adopt regulations to establish procedures to determine the fair market value at wholesale of cannabis. The Board shall furnish the Department with such information as the Department determines to be necessary to adopt the regulations required by this section. Currently, the Department is working on proposed regulation LCB File No. R108-20 which will replace NAC 453D.236 once adopted.

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 453D, the Department collected wholesale transfer records for the period April 1 to September 30, 2021 for use in calculating the Fair Market Value at Wholesale for each category (with the exceptions for 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>	\$7,776	\$11,458	\$1,490	\$51	\$501	N/A	\$24	\$1,334	\$556
<b>Min</b>	\$249	\$362	\$45	\$25	\$41	N/A	\$0.75	\$50	\$45
<b>Median</b>	<b>\$1,748</b>	<b>\$2,462</b>	<b>\$299</b>	<b>\$51</b>	<b>\$270</b>	<b>N/A</b>	<b>\$5.00</b>	<b>\$299</b>	<b>\$254</b>
<b>Mean</b>	\$1,706	\$2,422	\$467	\$49	\$224	N/A	\$6.18	\$435	\$269
<b>Mode</b>	\$2,498	\$2,527	\$848	\$51	\$300	N/A	\$5.00	\$299	\$204
<b>Standard Deviation</b>	\$797	\$765	\$341	\$6	\$125	N/A	\$3.37	\$404	\$127
<b>Number of Observations</b>	3,778	33,567	3,223	18	160	N/A	11,098	349	128

*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. For example, the Immature Plants category had 18 arm’s length transactions over the two-year period but those transactions covered the transfer of over 270 individual plants.*