

# Tax Fundamentals for Cannabis Establishments

There are multiple different tax types that Cannabis Establishments may be responsible for collecting and remitting to the Department of Taxation. Even though the Cannabis Compliance Board administers licensing and regulatory duties, the Department of Taxation continues to collect the taxes owed by Cannabis Establishments. The Department of Taxation provides monthly updates to the CCB staff regarding Cannabis Establishments with tax compliance issues.

Below is a brief snapshot of each tax type that Cannabis Establishments may be responsible for, as well as a discussion on repercussions for the Cannabis Establishments that fail to timely file, collect, and pay taxes.<sup>1</sup>

- Commerce Tax
  - This is an entity-level tax
  - Due once a year, 45 days after the end of the fiscal year
    - Fiscal year end date is June 30<sup>th</sup>, return is due generally August 14<sup>th</sup> or the following business day
  - Due on gross revenue received from transactions occurring in the State of Nevada
    - Entities with gross revenue of less than \$4.00 million in the fiscal year are exempt from filing
    - Tax is imposed only on the amount of gross revenue in excess of \$4.00 million
    - The tax rate is contingent on the entity's North American Industry Classification System (NAICS) code
- Modified Business Tax
  - This is an entity-level tax
  - Due quarterly, by end of month following the end of each calendar quarter
    - Q1 is due by April 30<sup>th</sup>
    - Q2 is due by July 31<sup>st</sup>
    - Q3 is due by October 31<sup>st</sup>
    - Q4 is due by January 31<sup>st</sup>
  - A mirror to unemployment insurance, this tax is due on gross wages paid during the calendar quarter, for all locations owned by that entity
    - Gross wages on the return should match the gross wages reported to Employment Security Department for the same quarter
    - Tax is imposed only on the amount of gross wages in excess of \$50,000
    - Tax Rate is 1.17% for Cannabis Industry as General Business filers
- Sales/Use Tax
  - Two different tax types, Sales Tax and Use Tax, that are reported on the same return
  - This is a location-specific tax

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<sup>1</sup>This tax presentation is not intended as legal advice. It is meant for educational purposes only. In the event that any of the information contained in this tax presentation does not comport with the Department of Taxation's statutes or regulations, the Department of Taxation's statutes or regulations govern.



(papers, grinders, water pipes) or other items of tangible personal property sold by the establishment that is not cannabis or is below the 0.3% THC threshold (hemp)

- Must be separately stated on the receipt
- Regulatory Repercussions
  - Penalties & Interest
    - When a return is filed late, or with partial or no payment, penalties & interest are assessed:
      - A one-time penalty, up to 10% of the tax balance due
        - A graduated penalty, based on how late payment is received
        - The full 10% is assessed 30 days after the due date
      - Interest is assessed at .75% monthly on the tax portion of the unpaid balance
        - Assessed on the 1<sup>st</sup> of each month, after the due date
        - Interest will not accrue on interest or on penalty
      - A waiver of Penalties and/or Interest can be requested, in certain circumstances
  - Civil Penalties Assessed by Cannabis Compliance Board
    - Cannabis Establishments are also subject to Civil Penalties
    - Intentionally failing to file, pay, or properly collect taxes is a Category I violation
    - Unintentionally failing to file and/or pay taxes is a Category III violation