

## **Fair Market Value at Wholesale**

- NRS 453D requires the Department to determine the Fair Market Value at Wholesale of retail marijuana. Pursuant to proposed regulation LCB File No. T002-17, Fair Market Value is defined as the value established by the Department based on the price that a buyer would pay to a seller in an arm's length transaction for marijuana in the wholesale market.
- LCB File No. T002-17 sets forth that the Department will calculate the Fair Market Value at Wholesale using reported sales or transfer of each category. The proposed regulation further clarifies that the Department will determine the best methodology to arrive at the Fair Market Value at Wholesale and may from time to time, change its method of calculating the Fair Market Value at wholesale, if in the judgment of the Department, such change is necessary to arrive at the most accurate Fair Market Value at Wholesale given the market conditions.
- The Fair Market Value at Wholesale rate will be posted to the Department's website and shall be used to calculate the tax on the Wholesale Marijuana Return.
- The Fair Market Value at Wholesale is utilized by the Department in levying the wholesale excise tax imposed pursuant to NRS 453D.500 on the sale of marijuana by a marijuana cultivation facility.
- The Fair Market Value at Wholesale was calculated based on medical marijuana transactions by cultivators recorded from September 1, 2016 through February 28, 2017, as requested by the Department.
- The next determination of the Fair Market Value at Wholesale Rate will be published for January 1, 2018. Detailed transaction reports shall be submitted by each marijuana cultivation facility to the Department by October 31, 2017. The reports must include transactions from April 2017 through September 2017.

### **Beginning July 1, 2017, The Department will set the Fair Market Value at Wholesale to the following:**

<b>Fair Market Value</b>	<b>Flower Rate (LB)</b>	<b>Trim Rate (LB)</b>	<b>Small Bud (LB)</b>	<b>Wet Whole Plant (LB)</b>	<b>Immature Plant (EA)</b>	<b>Seed (EA)</b>	<b>Pre-Roll (EA)</b>
<b>at Wholesale</b>	\$ 2,145.00	\$ 631.00	\$ 1,210.00	\$ 235.00	\$ 10.00	\$ 6.00	\$ 3.74

## **Fair Market Value at Wholesale Rate Methodology**

The Department determined that the excise tax upon wholesale sales of retail marijuana can effectively be levied upon seven product categories:

1. Flower
2. Small Bud
3. Trim
4. Wet Whole Plants
5. Immature Plants
6. Pre-Rolls
7. Seeds

The Department collected sales data for the period of September 1, 2016 through February 28, 2017 from Medical Marijuana Cultivators for each category to establish the Fair Market Value at Wholesale in order to comply with NRS 453D.

For each taxable category, The RAW data (including outliers) was analyzed and the maximum rate, minimum rate, median, mean, mode and the population standard deviation was calculated.

The data was then normalized using the Tukey method for identifying outliers. Outliers were excluded and the data recalculated. The Wet Whole Plant category had no outliers removed because there were few transactions. Pre-Rolled cigarettes had no outliers removed as the data was mostly clustered.

No sales were reported for Immature plants and seeds throughout the period. The Department has established the rate for these categories for this initial period based on Colorado's Average Market Rate for the categories effective January 1, 2017.

**Summary Statistics (Including Outliers)**

	Flower Rate (LB)	Trim Rate (LB)	Small Bud (LB)	Wet Whole Plant (LB)	Immature Plant (EA)	Seed (EA)	Pre-Roll (EA)
<b>Max Rate</b>	\$ 2,972	\$ 1,707	\$ 2,431	\$ 200	\$ 10	\$ 6	\$ 6
<b>Min Rate</b>	\$ 650	\$ 140	\$ 106	\$ 180	\$ 10	\$ 6	\$ 2
<b>Median Rate</b>	\$ 2,133	\$ 538	\$ 1,281	\$ 190	\$ 10	\$ 6	\$ 4
<b>Mean</b>	\$ 2,052	\$ 631	\$ 1,297	\$ 235	\$ 10	\$ 6	\$ 4
<b>Mode Rate</b>	\$ 650	\$ 140	\$ 1,360	N/A	\$ 10	\$ 6	\$ 4
<b>Standard Deviation</b>	478	451	417	55	*	**	1

**Summary Statistics (Excluding Outliers)**

	Flower Rate (LB)	Trim Rate (LB)	Small Bud (LB)	Wet Whole Plant (LB)	Immature Plant (EA)	Seed (EA)	Pre-Roll (EA)
<b>Max Rate</b>	\$ 2,972	\$ 1,707	\$ 1,370	\$ 200	\$ 10	\$ 6	\$ 6
<b>Min Rate</b>	\$ 1,281	\$ 140	\$ 912	\$ 180	\$ 10	\$ 6	\$ 2
<b>Median Rate</b>	\$ 2,176	\$ 538	\$ 1,254	\$ 190	\$ 10	\$ 6	\$ 4
<b>Mean</b>	\$ 2,145	\$ 631	\$ 1,210	\$ 235	\$ 10	\$ 6	\$ 4
<b>Mode Rate</b>	\$ 2,400	\$ 140	\$ 1,360	N/A	\$ 10	\$ 6	\$ 4
<b>Standard Deviation</b>	345	451	153	55	*	**	1

\* No sales data was reported . Fair Market Value is based on Colorado's Average Market Rate for the Category effective 01/01/2017

\*\* No sales data was reported . Fair Market Value is based on Colorado's Average Market Rate for the Category effective 01/01/2017

The Nevada Department of Taxation (Department) recommends the following Fair Market Value at Wholesale rates for use by the Department in levying the excise tax on the sale of retail marijuana by a retail marijuana cultivation facility:

Fair Market Value	Flower Rate (LB)	Trim Rate (LB)	Small Bud (LB)	Wet Whole Plant (LB)	Immature Plant (EA)	Seed (EA)	Pre-Roll (EA)
<b>at Wholesale</b>	\$ 2,145.00	\$ 631.00	\$ 1,210.00	\$ 235.00	\$ 10.00	\$ 6.00	\$ 3.74