



C OF C LEGISLATIVE FOCUS # 3

SUPPORT SUSTAINABLE TAXATION

Introduction

Between July 1, 2020 - June 30, 2024, the State of Nevada collected more than \$563 million in cannabis-related excise taxes from the \$3.65 billion in taxable cannabis sales that took place in the same time period. It is the public policy of the State legislature that the cannabis industry is significant to the economy of the State of Nevada.¹

However, due to the federal illegality of cannabis, state-licensed cannabis businesses do not have access to traditional lending services or business lines of credit to ensure consistent cash flow— as a result, delinquent accounts receivables run rampant. A March 2024 report published by Whitney Economics estimates that, of the \$28.8 billion generated by legal cannabis sales in the U.S. in 2023, there was \$3.8 billion in delinquent accounts receivables. In other words, “the amount of delinquent receivables is forcing operators to run their businesses for an entire year, but on roughly 10.4 months’ worth of cash flow.”²

While the economic significance of the cannabis industry is often reduced to the amount of tax revenue that it generates, by failing to account for other economic factors at play, policymakers run the risk of inadvertently limiting the economic potential of the industry by prioritizing tax revenue over the economics of supply and demand, particularly as it pertains to unlicensed cannabis activities.

One of the four main recommendations from the 2024 Cannabis Market Study compiled by TPMA on behalf of the Cannabis Compliance Board is for policymakers to “consider the impact of taxes on the illicit market”³, stating that:

¹ [NRS: CHAPTER 678A.005: Legislative findings and declarations.](#)

² Whitney, Beau. [Cannabis Delinquencies: An Existential Threat to the U.S. Cannabis Industry](#), Whitney Economics, March 2024, pg 5-10

³ [“Cannabis Market Study: Nevada Cannabis Compliance Board”](#), TPMA (9/23/2024), pg. 30.

“While cannabis taxes can serve as a significant source of revenue for the state, they also increase the total price paid by the consumer, inhibiting the ability of the legal market to compete with the illicit market. When thinking about tax policy, policymakers should consider the aims of cannabis taxes and align policies to achieve those goals, with the knowledge that increased taxes may encourage some consumers to seek out the illicit market.”

According to New Frontier Data, taxes and retail prices, as well as the flexibility of regulatory structures to address changing market dynamics, are key factors influencing how much demand a legal market can capture. And, by not taking these into account post-legalization, “illicit markets can recapture consumers.”⁴

While it is the public policy of the state to “emulate other privileged industries that are licensed and strictly regulated insofar as those industries are similar to or the approaches used in those industries are compatible with the cannabis industry in this State”⁵, the proposed introduction of a cannabis tax permit in Senate Bill 41, prefilled on behalf of the Department of Taxation⁶, may not fully consider the compatibility of these implications for an industry that is unable to access lines of credit and that must compete with unlicensed activities.

Summary

Consideration 1: Cannabis Tax Permits

As of January 14, 2025, the Chamber of Cannabis has no formal position on Senate Bill 41. However, the Chamber will solicit member input to establish a position on this proposed legislation in the coming weeks.

Senate Bill 41 was filed by the Committee on Revenue and Economic Development on behalf of the Department of Taxation. As introduced, the bill proposes a new cannabis tax permit requirement that applies to each individual place of business for all cannabis establishments.

In addition to outlining the application process and permit issuance, SB 41 empowers the Department of Taxation (DOT) to revoke or suspend cannabis tax permits. If a cannabis tax permit is revoked by the DOT, it mandates the Cannabis Compliance Board (CCB) to suspend the corresponding cannabis business license until tax liabilities are fully settled.

In developing its position, the Chamber will explore the viability of amending Nevada Revised Statute 678A.600 to include provisions specific to tax-related

⁴ [2023 U.S. Cannabis Report](#), New Frontier Data (February 2023).

⁵ [NRS: CHAPTER 678A.005: Legislative findings and declarations.](#)

⁶ [SB41 Text](#), Nevada Legislature (2025)

penalties as a solution that will encourage timely payment of taxes without immediately resorting to license suspension.

In 2023, Senate Bill 195 introduced welcomed improvements to Nevada Revised Statute 678A.600, reducing the maximum fines per violation and required the CCB to consider mitigating circumstances when approving a penalty. These changes warranted several revisions to Nevada Cannabis Compliance Regulation 4: Disciplinary And Other Proceedings Before The Board.⁷

Currently, Nevada Cannabis Compliance Regulations (NCCRs) classify intentional failure to pay taxes and failure to properly collect taxes as Category I Violations (NCCR 4.035), unintentional failure to pay taxes as Category III (NCCR 4.040), and failure to submit monthly tax reports as Category V (NCCR 4.060).

After conducting a workshop on Regulation 4 pursuant to the Administrative Procedures Act in May 2024, the CCB Board voted to approve regulatory changes during its Public Board Meeting in June 2024. These changes were submitted to the Legislative Commission on June 24, 2024, and are viewable in the state register (R152-24I).⁸

In the regulations submitted by the CCB, each of these tax-related violations are removed. In LCB File No. R152-24I, failure to pay taxes or file tax returns in a timely manner are included as the least severe type of violation, as Category VII.

As category VII violations, a civil penalty is not imposed until there is a third violation within a period of three years and the penalty is not more than \$1,500.

In other words, the proposed regulatory changes make failure to pay taxes, intentional or otherwise somewhat inconsequential.

Failure to pay taxes		1st violation	2nd	3rd
Pre- SB195	NCCR 4.050 - Category III	\$10,000	\$30,000	\$90,000
Post- SB195	NCCR 4.050 - Category III IV	\$10,000 \$5,000	\$30,000 \$10,000	\$90,000 \$20,000
LCB File	NCCR 4.061 - Category VII	Formal written warning	2nd formal written warning	\$1,500

In a likely attempt to counteract the potential adoption of these regulations, the Department of Taxation effectively moves failure to pay taxes to a Category I violation

⁷ [Regulation 4: Disciplinary And Other Proceedings Before The Board](#), Nevada Cannabis Compliance Board (Version 072122)

⁸ [Proposed Regulation Of The Cannabis Compliance Board Of Nevada LCB File No. R152-24i](#), (June 24, 2024)

whereby the Board is forced to presume that the appropriate penalty is the (temporary) revocation of a license.

Consideration 2: Rate of Taxation

The State of Nevada is one of only three states that charges an excise tax on both the retail price (10%) **and** the wholesale weight (15%)⁹. Of 19 states examined, Nevada is among just five states with any weight-based tax in place, as of September 2022.¹⁰

In a [study](#) conducted by the Tax Policy Center of the Urban Institute & Brookings Institution examining tax structures in 19 states, Nevada's total effective tax paid on a hypothetical purchase of an ounce of usable cannabis (cannabis flower) is the 5th highest.¹¹

The Chamber of Cannabis will oppose any legislation that involves an increase in the rate of taxation of cannabis during Nevada's 83rd Legislative Session.

As of January 14, 2025, there are no bills filed related to the rate of taxation of cannabis.

Consideration 3: Fair Market Value (FMV) Framework

In 2023, two pieces of legislation were related to the taxation of cannabis and went into effect on January 1, 2024.¹² Assembly Bill 430 introduced key improvements to the methodology for calculating the fair market value of cannabis and ensures wholesale excise taxes are only collected during the first wholesale transaction.¹³

Understanding the State's need for a taxable event with transfers and sales within a vertically integrated business, the practice of creating an artificial price instead of levying a tax rate on the weight of the cannabis plant or the actual value requires significant administrative resources.

If introduced, the Chamber of Cannabis will support provisions that remove fair market value altogether.

As of January 14, 2025, there are no bills filed related to fair market value methodology.

⁹ Auzier, Richard and Airi, Nikhita, [The Pros And Cons Of Cannabis Taxes](#). Tax Policy Center: Urban Institute & Brookings Institution (September 28, 2022). Figure 2.

¹⁰ [The Pros And Cons Of Cannabis Taxes](#). Tax Policy Center, Figure 2.

¹¹ [The Pros And Cons Of Cannabis Taxes](#). Tax Policy Center, Figure 3.

¹² [Nevada Tax Notes - Issue No. 198](#), Department of Taxation (January 2024)

¹³ [AB430 Text](#), Nevada Legislature (2023)