

ASSEMBLY BILL NO. 430—COMMITTEE ON REVENUE

MARCH 27, 2023

Referred to Committee on Revenue

SUMMARY—Revises provisions relating to cannabis. (BDR 32-893)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State: Yes.

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EXPLANATION – Matter in *bolded italics* is new; matter between brackets ~~omitted material~~ is material to be omitted.

AN ACT relating to taxation; revising provisions governing the excise tax on cannabis; requiring the Department of Taxation to adopt certain regulations; and providing other matters properly relating thereto.

Legislative Counsel’s Digest:

1 Existing law imposes an excise tax at the rate of 15 percent of the fair market
2 value at wholesale upon each wholesale sale of cannabis by a medical cannabis
3 cultivation facility or an adult-use cannabis cultivation facility to another cannabis
4 establishment. (NRS 372A.290) Existing law imposes an excise tax at the rate of 10
5 percent of the sales price of each retail sale of cannabis or cannabis products by an
6 adult-use cannabis retail store or cannabis consumption lounge. (NRS 372A.290)
7 **Section 7** of this bill revises the excise tax on the wholesale sale of cannabis to
8 apply the tax only to the first wholesale sale and to provide that the tax is at the rate
9 of 15 percent of: (1) the fair market value at wholesale for sales made to an affiliate
10 of the medical cannabis cultivation facility or adult-use cannabis cultivation
11 facility; or (2) the sales price, if the sale is made to a cannabis establishment that is
12 not an affiliate of the medical cannabis cultivation facility or adult-use cannabis
13 cultivation facility.

14 Existing law requires the Department of Taxation to adopt regulations to
15 establish procedures to determine the fair market value at wholesale of cannabis.
16 (NRS 678B.640) **Section 9** of this bill establishes certain additional requirements
17 for the regulations adopted by the Department. **Section 9** requires the Cannabis
18 Compliance Board to ensure that any computer software used for the seed-to-sale
19 tracking of cannabis adopted by the Board includes a method to denote transfers of
20 cannabis between affiliates.



THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

1 **Section 1.** (Deleted by amendment.)

2 **Sec. 1.3.** (Deleted by amendment.)

3 **Sec. 1.7.** (Deleted by amendment.)

4 **Sec. 2.** (Deleted by amendment.)

5 **Sec. 3.** (Deleted by amendment.)

6 **Sec. 4.** (Deleted by amendment.)

7 **Sec. 5.** (Deleted by amendment.)

8 **Sec. 6.** (Deleted by amendment.)

9 **Sec. 7.** NRS 372A.290 is hereby amended to read as follows:

10 372A.290 1. An excise tax is hereby imposed on ~~each~~ *the*
11 *first* wholesale sale in this State of cannabis by a medical cannabis
12 cultivation facility to another cannabis establishment at the rate of
13 15 percent of ~~the~~ :

14 (a) *The fair market value at wholesale of the cannabis ~~is~~, if the*
15 *sale is made to an affiliate of the medical cannabis cultivation*
16 *facility; or*

17 (b) *The sales price of the cannabis, if the sale is made to a*
18 *cannabis establishment that is not an affiliate of the medical*
19 *cannabis cultivation facility.*

20 ↳ The excise tax imposed pursuant to this subsection is the
21 obligation of the medical cannabis cultivation facility.

22 2. An excise tax is hereby imposed on ~~each~~ *the first*
23 wholesale sale in this State of cannabis by an adult-use cannabis
24 cultivation facility to another cannabis establishment at the rate of
25 15 percent of ~~the~~ :

26 (a) *The fair market value at wholesale of the cannabis ~~is~~, if the*
27 *sale is made to an affiliate of the adult-use cannabis cultivation*
28 *facility; or*

29 (b) *The sales price of the cannabis, if the sale is made to a*
30 *cannabis establishment that is not an affiliate of the adult-use*
31 *cannabis cultivation facility.*

32 ↳ The excise tax imposed pursuant to this subsection is the
33 obligation of the adult-use cannabis cultivation facility.

34 3. An excise tax is hereby imposed on each retail sale in this
35 State of cannabis or cannabis products by an adult-use cannabis
36 retail store or cannabis consumption lounge at the rate of 10 percent
37 of the sales price of the cannabis or cannabis products. The excise
38 tax imposed pursuant to this subsection:

39 (a) Is the obligation of the seller of the cannabis or cannabis
40 product ~~is~~ *but may be recovered from the purchaser.*



1 (b) Is separate from and in addition to any general state and
2 local sales and use taxes that apply to retail sales of tangible
3 personal property.

4 4. The revenues collected from the excise tax imposed pursuant
5 to subsection 1 must be distributed:

6 (a) To the Cannabis Compliance Board and to local
7 governments in an amount determined to be necessary by the Board
8 to pay the costs of the Board and local governments in carrying out
9 the provisions of chapter 678C of NRS; and

10 (b) If any money remains after the revenues are distributed
11 pursuant to paragraph (a), to the State Treasurer to be deposited to
12 the credit of the State Education Fund.

13 5. The revenues collected from the excise tax imposed pursuant
14 to subsection 2 must be distributed:

15 (a) To the Cannabis Compliance Board and to local
16 governments in an amount determined to be necessary by the Board
17 to pay the costs of the Board and local governments in carrying out
18 the provisions of chapter 678D of NRS; and

19 (b) If any money remains after the revenues are distributed
20 pursuant to paragraph (a), to the State Treasurer to be deposited to
21 the credit of the State Education Fund.

22 6. For the purpose of subsections 4 and 5, a total amount of
23 \$5,000,000 of the revenues collected from the excise tax imposed
24 pursuant to subsection 1 and the excise tax imposed pursuant to
25 subsection 2 in each fiscal year shall be deemed sufficient to pay the
26 costs of all local governments to carry out the provisions of chapters
27 678C and 678D of NRS. The Board shall, by regulation, determine
28 the manner in which local governments may be reimbursed for the
29 costs of carrying out the provisions of chapters 678C and 678D of
30 NRS.

31 7. The revenues collected from the excise tax imposed pursuant
32 to subsection 3 must be paid over as collected to the State Treasurer
33 to be deposited to the credit of the State Education Fund.

34 8. As used in this section:

35 (a) "Adult-use cannabis cultivation facility" has the meaning
36 ascribed to it in NRS 678A.025.

37 (b) "*Affiliate*" means a person who, directly or indirectly
38 through one or more intermediaries, controls, is controlled by or is
39 under common control with, a specified person.

40 (c) "Cannabis product" has the meaning ascribed to it in
41 NRS 678A.120.

42 ~~(e)~~ (d) "Local government" has the meaning ascribed to it in
43 NRS 360.640.

44 ~~(d)~~ (e) "Medical cannabis cultivation facility" has the meaning
45 ascribed to it in NRS 678A.170.



1 ~~(f)~~ (f) “Medical cannabis establishment” has the meaning
2 ascribed to it in NRS 678A.180.

3 ~~(g)~~ (g) “Wholesale sale” means ~~(a)~~ *the first* sale or transfer of
4 cannabis by a cannabis cultivation facility to another cannabis
5 establishment. The term does not include a transfer of cannabis by a
6 cannabis cultivation facility to another cannabis cultivation facility
7 when both cannabis cultivation facilities share identical ownership.

8 **Sec. 8.** (Deleted by amendment.)

9 **Sec. 9.** NRS 678B.640 is hereby amended to read as follows:

10 678B.640 *1.* The Department of Taxation shall adopt
11 regulations to establish procedures to determine the fair market
12 value at wholesale of cannabis. *The regulations shall:*

13 *(a) Provide that the fair market value of cannabis:*

14 *(1) Will be calculated and published by the Department on*
15 *a quarterly basis not more than 30 days after the end of each*
16 *calendar quarter; and*

17 *(2) Is the median sales price for wholesale sales between*
18 *cannabis cultivation facilities and cannabis establishments that*
19 *are not affiliates, per pound or each, during the period specified in*
20 *subparagraph (1).*

21 *(b) Prescribe any information required by the Department to*
22 *determine the fair market value at wholesale of cannabis.*

23 *2. The Board shall ensure that any computer software used*
24 *for the seed-to-sale tracking of cannabis adopted by the Board*
25 *includes a method to denote transfers of cannabis between*
26 *affiliates.*

27 *3. The Board shall furnish the Department with such*
28 *information as the Department determines to be necessary to adopt*
29 *the regulations required by this section.*

30 *4. As used in this section, “affiliate” has the meaning*
31 *ascribed to it in NRS 372A.290.*

32 **Sec. 10.** 1. This section becomes effective upon passage and
33 approval.

34 2. Sections 1 to 9, inclusive, of this act become effective:

35 (a) Upon passage and approval for the purpose of adopting any
36 regulations and performing any other preparatory administrative
37 tasks that are necessary to carry out the provisions of this act; and

38 (b) On January 1, 2024, for all other purposes.

