Report and Recommendation of the Subcommittee on Taxation of Cannabis to the Cannabis Advisory Commission

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1. Introduction[1]

Purpose and Mission of the Report

In accordance with Assembly Bill 76 (AB 76) passed by the 2025 Nevada Legislature, the Cannabis Advisory Commission was mandated to create a Taxation of Cannabis Subcommittee[2]. The purpose of this subcommittee, and the mission of this report, is to conduct a comprehensive study concerning the taxation of cannabis and cannabis products across the State. As directed by Section 54.7 of AB 76, this study specifically assesses the potential effects of eliminating the current wholesale tax (imposed by subsections 1 and 2 of NRS 372A.290) and replacing them with an increased excise tax under subsection 3 of the same statute. Additionally, the report evaluates the potential imposition of an excise tax on retail sales of intoxicating hemp products and explores other revenue-neutral tax restructuring strategies.

Through this mandate, the subcommittee aims to project the long-term impact of these tax changes on the State Education Fund, evaluate necessary regulatory adjustments, and assess the downstream financial impacts on medical patients, adult-use consumers, licensed establishments, the intoxicating hemp market, and the unlicensed illicit market. This report ultimately serves to provide the Joint Interim Standing Committee on Revenue and the 84th Session of the Nevada Legislature with critical findings and legislative recommendations by October 5, 2026.

History of the Cannabis Excise Tax in Nevada

[1] This report reflects the collective efforts of the Subcommittee as a whole. All Subcommittee members participated in the research and/or drafting of this report. The opinions and recommendations in this report do not constitute legal advice nor do they reflect the opinions or recommendations of any elected official, law firm, or local government.

[2] A.B.76, Sec. 54.7, 2025 Leg., 83rd Sess. (Nv. 2025)

Nevada's current cannabis tax framework is the product of multiple legislative and voter-approved actions. With the legalization of recreational cannabis in Fiscal Year 2017, a 15 percent excise tax on the fair market value of wholesale cannabis was instituted[3]. Additionally, lawmakers introduced the 10 percent excise tax on the retail sale of adult-use cannabis, primarily borne by the end consumer[4].

Initially, the revenue distribution of these taxes was divided. A $5 million portion of the wholesale tax went to fund local governments with additional portions to regulatory oversight operations of Cannabis Compliance Board, with the remainder supporting K-12 public schools. Conversely, the 10 percent retail excise tax was originally directed to the state's "Rainy Day Fund" for the distribution of the revenue proceeds at that time[5]. However, recognizing the persistent funding gaps in Nevada's public school system and a promise to voters that the tax would help Nevada's education system, lawmakers shifted course in 2019. Beginning in Fiscal Year 2020, revenue from the retail excise tax was redirected to the State Education Fund[6]. According to data published by the Guinn Center for Policy Priorities[7], these combined cannabis excise taxes have generated more than $700 million for Nevada schools since 2018.

Sales Taxes on Cannabis & Differences Between Medical and Adult Use

Beyond excise taxes, the retail sale of adult-use (recreational) cannabis is subject to standard state and local sales and use taxes, which can vary by jurisdiction from 6.85 percent to 8.375 percent[8].

The tax application differs notably for medical cannabis cardholders as medical cannabis patients are exempt from paying the 10 percent retail excise tax at the point of sale. However, the 15 percent wholesale excise tax that is assessed upon the first wholesale sale at the cultivation level, despite medical or recreational designation is typically baked into the retail price. This means medical patients as well as recreational cannabis users indirectly shoulder the wholesale tax burden. Furthermore, despite being used for medical purposes–normally exempt from sales and use tax–medical cannabis purchases are still subject to standard state and local sales taxes.

Local Licensing and Federal Tax Requirements

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[3] S.B. 487, Sec. 9, 2017 Leg., 79th Sess. (Nv 2017)
[4] S.B. 487, Sec. 9, 2017 Leg., 79th Sess. (Nv 2017)
[5] Miller, Shannon. "Nevada Cannabis Industry Breaks $100 Million Mark in Annual Tax Payments." The Nevada Independent, 2024, https://thenevadaindependent.com/article/nevada-cannabis-industry-breaks-100-million-mark-in-annual-tax-payments.
[6] S.B. 545, Sec. 1, 2019 Leg., Sess. (Nv 2019)
[7] Guinn Center. Cannabis Taxes in Nevada: An Explainer. 2024, https://www.guinncenter.org/research/cannabis-taxes-in-nevada-an-explainer.
[8] Nevada Department of Taxation. Annual Report: Fiscal Year 2025. State of Nevada, 2025, page 13, Components of Sales and Use Tax Rates https://tax.nv.gov/news-publications/annual-reports/

In addition to state-levied taxes, cannabis operators face localized fee structures. State law permits local jurisdictions to assess a business license fee on cannabis establishments of up to 3 percent of the business's gross receipts, which would include cultivators, producers, retail establishments. Consequently, a review of each of Nevada's 17 counties reveals inconsistent regulatory requirements.

For the counties that permit cannabis commerce, the fee structures differ greatly. Clark County employs a tiered, semi-annual licensing fee based on gross revenue that scales heavily for top-earning businesses. Other jurisdictions, such as Nye County and parts of Elko County, have charged steep initial application/licensing fees (ranging from $20,000 to over $37,000 for dispensaries) paired with an ongoing business license fee calculated at the maximum 3 percent of gross revenue. Washoe County and the City of Reno have utilized varied, flat-rate annual fees that often range in the tens of thousands of dollars. This county-by-county variability creates vastly different operating realities for cannabis businesses depending on the local jurisdiction in which they reside.

Compounding the state and county taxes is the significant financial restriction imposed by Section 280E of the Internal Revenue Code. IRS Code 280E prohibits businesses from deducting ordinary and necessary business expenses from their gross income if their trade consists of "trafficking in controlled substances" as defined by Schedules I and II of the federal Controlled Substances Act[9].

Because cannabis remains a Schedule I controlled substance federally, state-licensed cannabis businesses in Nevada are subjected to 280E. While they are permitted to deduct the Cost of Goods Sold (COGS), such as the direct cost of cultivating the plant, they are legally barred from deducting standard operating expenses like rent, utilities, marketing, insurance, and payroll for retail staff. As a result, cannabis businesses are effectively taxed on their gross margins rather than their net income, leading to effective tax rates that can easily exceed 70 percent, sometimes forcing businesses to pay federal income taxes even in years when they operate at a net financial loss. Understanding the additional tax obligations facing the licensed cannabis industry is vital when assessing the viability of restructuring Nevada's state tax model, especially when accounting for the untaxed, illicit market.

Maturing Market and the Excise Tax Contribution to the State Education Fund

Taxation of cannabis has many complexities to acknowledge while analyzing the financial effects on the state's funding of public schools. The Cannabis Excise Tax revenue has experienced a steady decline in revenue since the peak in Fiscal Year 2021, to which this study confirms is in part due to price compression attributed to a maturing market. In a May 2026 Forbes article on the cannabis market, author Javier Hasse describes the modelled pattern of a mature market as "slow declines early, rapid compression during

[9] "The Application of Internal Revenue Code Section 280E to Marijuana Businesses: Selected Legal Issues." Congress.gov, Library of Congress, 7 August 2026, https://www.congress.gov/crs-product/R46709.

expansion phases, then eventual stabilization as markets mature and weaker operators exit"[10]. This study will go on to confirm the above description of Nevada's licensed cannabis market: the number of customers and transactions increased over the past several years while the price of cannabis has continued falling. With its peak in Fiscal Year 2021, $159 million was transferred to the State Education Fund inclusive of Wholesale and Retail Cannabis Excise Tax revenues and civil penalties collected by the Cannabis Compliance Board[11]. However, in Fiscal Year 2025 the combined cannabis excise taxes collected reached $111.8 million with only $95.8 million transferred to the State Education Fund[12], a 40 percent decrease in available funding over the four years. Though not yet finalized at the timing of this report, Cannabis Tax revenue in Fiscal Year 2026 is also trending downward for the fifth year in a row[13], although more in line with a seven percent decrease instead of the larger nine and thirteen percent decreases experienced in Fiscal Years 2024 and 2023 respectively. The intent of this study is to make recommendations based on longevity of the maturing cannabis market while maintaining a sustainable source of Public Education funding.

FISCAL YEAR	RETAIL CANNABIS TAX	WHOLESALE CANNABIS TAX	TOTAL CANNABIS EXCISE TAX COLLECTIONS
2017-18	$ 42.5	$ 27.3	$ 69.8
2018-19	$ 55.2	$ 44.0	$ 99.2
2019-20	$ 60.4	$ 44.8	$ 105.2
2020-21	$ 92.1	$ 65.6	$ 157.8
2021-22	$ 89.3	$ 63.0	$ 152.3
2022-23	$ 80.1	$ 53.0	$ 133.1
2023-24	$ 76.8	$ 43.7	$ 120.5
2024-25	$ 74.5	$ 37.3	$ 111.8
2025-26	$ 70.4	$ 33.5	$ 103.8
		TOTAL	$ 1,053.5

[10] Hasse, Javier. "Cannabis Prices Keep Falling. New Global Report Says That Was Always Going to Happen." Forbes, 21 May 2026, https://www.forbes.com/sites/javierhasse/2026/05/21/cannabis-prices-keep-falling-new-global-report-says-that-was-always-going-to-happen/.

[11] Nevada Cannabis Compliance Board and Nevada Department of Taxation. Annual Cannabis Taxable Sales Data: Fiscal Year 2021. https://ccb.nv.gov/wp-content/uploads/2021/10/CCB-DOT-Cannabis-Taxable-Sales-Data-FY21-Release.pdf.

[12] Nevada Cannabis Compliance Board and Nevada Department of Taxation. Annual Cannabis Taxable Sales Data: FY 2025. https://ccb.nv.gov/wp-content/uploads/2026/02/CCB-Tax-Release-Annual-Cannabis-Taxable-Sales-Data-V2.pdf.

[13] Nevada Department of Taxation. Cannabis Revenue: Fiscal Year 2026. https://tax.nv.gov/wp-content/uploads/2026/05/NV-Cannabis-Revenue-FY26.pdf.

2. Cannabis Tax Options Explored

A. Elimination of Wholesale Cannabis Tax with an increase to Retail Cannabis Tax

Lawmakers in Nevada have specifically required evaluation if the state eliminates the 15 percent Wholesale Cannabis Tax in exchange for an increase to the Retail Cannabis Tax rate. In order to study this thoughtfully, the subcommittee first sought to determine the price elasticity of cannabis specific to Nevada. The Nevada transactional data was sourced from the state's seed-to-sale tracking system, Metrc with seven complete calendar years obtained for the study. The seven years covered pre and post COVID19 pandemic as well as more recent, maturing market transactions for a robust evaluation. The resulting technical analysis is attached to the Appendix I and is broken into four different parts. First is the analysis of the price of the cannabis product categories themselves through annual, monthly and overall seven-year price valuations. Second is the analysis of demand for each cannabis product category utilizing two different types of measurement demand: transaction volume and quantity purchased. Third section is a review of licensed cannabis supply based on cultivator outbound transfers and is a more general way to review the supply of cannabis plant material that can be sold or processed to be sold at retail. The final part explains price elasticity and is a model with multiple layers of analysis. The model begins with the general price elasticity of the product category, followed by robustness checks where small clusters of the products are evaluated instead of all products together, then counts of specific elasticities, and finally change models.

The change models were created based on the 2025 revenue data and include functions removing one county from the whole model and studying how that affects the elasticity of each product category. From those change models a range was developed for what would happen if the retail excise tax was increased, decreased, or removed altogether and gives a maximum to medium average effect that would be expected by calculating the loss of sales due to an increase in taxes. The report also includes a section regarding its limitations and assumptions. For example, the data is unable to predict the qualitative effects on consumers and their personal decisions to utilize the illicit market or cross-border purchases due to a change in the tax structure. Further, the change model assumes the base price at wholesale would not immediately change due to the elimination of the wholesale tax as licensed cultivators would be incentivized to maintain the 15 percent former tax amount as an offset to prior lost margins. This study additionally does not contain future year forecasting of cannabis price modeling to explore whether Nevada's cannabis market has reached the price stabilization period of a mature market, although the slower rate of decline in Fiscal Year 2026 revenue might indicate cannabis price stabilizing.

Based on the in-depth analysis of the Nevada licensed cannabis demand and pricing, the existing 10 percent retail tax would likely need to be replaced by a retail tax of 12 percent to 15 percent to remain net neutral in revenue with the elimination of the Wholesale Cannabis Tax. Using Fiscal Year 2025 as the example, eliminating the Wholesale Cannabis Tax would reduce the State Education Fund by roughly $21 million, however the increased

Retail Excise tax revenue at the 12 percent to 15 percent range would nearly offset the loss by $11 to $30 million. Reviewing Appendix Table 6 displays the Retail Excise tax ranges reviewed with the sales decline and additional revenue range.

Commenting on any potential impact to the medical cannabis consumers, the seven years of data consistently showed 4 percent of the total cannabis sales are categorized as medical sales despite significant price changes over the years. This leads to a conclusion that any increase to the Retail Excise Tax that medical sales are not subject to, in exchange for the elimination of the Wholesale Cannabis Tax, and assuming the wholesale pricing will not likely change based on this new tax structure, the medical cannabis user would not be significantly impacted.

Since the elimination of the Wholesale Cannabis Tax also eliminates the source revenue of $5 million in Local Government distributions and the Cannabis Compliance Board's operating budget, the distributions would need to be addressed in legislation as well. While the scope of this subcommittee research did not include in depth analysis of Local Government allocation of the additional 3 percent collected locally, this body recommends a legislative review of the $5 million in Excise Tax distribution to the Local Governments since additional 3 percent licensing revenue is already pursued in all counties with legal licensing and there may no longer be a need for the $5 million. However, the subcommittee does recommend the state's Cannabis Compliance Board to retain operating budget distributions from Cannabis Excise Taxes and thus the eliminated Wholesale Tax distributions to the regulatory agency should shift to the increased Retail Cannabis Tax.

The seven years of licensed cannabis data show increased transactions and quantities, which is in line with the 2026 Gallup Poll reporting 17 percent of adults indicating yes to cannabis use, up from 12 percent in 2022[14]. There are mixed reports on the current status of the illicit market so we can estimate that the illicit market would experience either the same rate of growth as the licensed market or decrease in size in Nevada. The Nevada Market Study published in 2024[15] includes a forecast from Equio by New Frontier Data of the illicit market steadily decreasing to 20 percent of the cannabis market in 2025, which would put an estimate for Nevada's illicit market size at around $145 million to the licensed cannabis market size of $725 million estimated from the 2025 Cannabis Statistics Taxable Sales (January 2025 to December 2025 in Fiscal Year 2025 and 2026 publications[16]).

At the outset of a retail price increase from the retail excise tax increase, we can assume the licensed cannabis sales decline reported in Appendix Table 6 to be somewhat representative of the reverse effect to the illicit cannabis market, ranging from a 1.8 percent to 6.8 percent gain, or about $13 to $49 million in cannabis sales. However, the entirety of

[14] Brenan, Megan. "Marijuana Smoking at Record High; Cigarettes at Record Low." *Gallup*, 13 Aug. 2024, https://news.gallup.com/poll/713645/marijuana-smoking-record-high-cigarettes-low.aspx.
[15] Nevada Cannabis Compliance Board. *Press Release: Cannabis Market Study*. 2024, https://ccb.nv.gov/wp-content/uploads/2024/09/Press-Release-Cannabis-Market-Study.pdf.
[16] Nevada Department of Taxation. *Statistics*. State of Nevada, https://tax.nv.gov/news-publications/statistics/.

the licensed cannabis taxable sales decline cannot be attributable to an illicit market gain since some consumers will opt out of the market entirely instead of moving to the illicit market. The decrease in licensed cannabis taxable sales is representing multiple scenarios: sales lost from consumers purchasing less cannabis, consumers opting out of the market entirely or sales gained by the illicit market. Any potential short run increases to the illicit market due to the tax increase can also be reduced with continued enforcement efforts in eliminating illicit market operations.

B. Imposition of an Excise Tax on retail sales of Intoxicating Hemp

A growing industry directly competing with Nevada's licensed cannabis market is the intoxicating hemp market. Born out of a loophole in the 2018 Farm Bill[17], the intoxicating hemp market has been increasing in size, with marketed items primarily comprised of edibles and drinks containing intoxicating levels of THC offered both online and in unlicensed retail stores. The simplified explanation of how these intoxicating hemp producers game the system is "while these products remain federally compliant because they contain no more than 0.3 percent delta-9 THC by dry weight, they can produce intoxicating effects comparable to marijuana [cannabis]"[18]. Nevada lawmakers have taken steps banning intoxicating synthetic cannabinoids with S.B. 49 of the 2021 Legislative Session. However, under current law, intoxicating hemp that tests under 0.3 percent THC potency at its dry weight falls into the legal threshold of products, but then products created from further processing by extraction increases THC potency to intoxicating levels are sold in an unregulated manner.

In March 2026, Clark County Commissioners passed an ordinance to take effect in July 2026 requiring additional licensing, testing requirements and THC limitations not to exceed intoxicating levels for hemp retailers[19]. This was a significant step at the local level in the largest of Nevada's seventeen county markets to curb intoxicating unregulated hemp product sales and redirect the consumers engaged in intoxicating THC products back to the licensed cannabis market.

To complicate the market further is section 781 of the 2026 Agriculture Appropriations Act[20], in which the definition of hemp shifts the legal THC restriction from just Delta-9

[17] United States Congress. H.R. 2: Agriculture Improvement Act of 2018. 115th Congress, 2018, https://www.congress.gov/bill/115th-congress/house-bill/2.

[18] Leis, Becky. "Farm Bill Loophole Has Led to a Booming Industry for Hemp-Derived Products and a Mix of State Laws; A New Federal Framework Is Coming Soon." CSG Midwest, 4 June 2026, https://csgmidwest.org/2026/06/04/farm-bill-loophole-has-led-to-a-booming-industry-for-hemp-derived-products-and-a-mix-of-state-laws-a-new-federal-framework-is-coming-soon/.

[19] Clark County. Clark County Code, Title 7, Chapter 7.220: Hemp Retail Sales. Clark County, https://code.clarkcountynv.gov.

[20] United States Congress. Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2026. Public Law 119-37, section 781, https://www.congress.gov/.

THC to a "total THC", inclusive of isomers like Delta-8 and THCA and restricts final consumer hemp-derived cannabinoid products to no more than 0.4 mg of total THC per container. Effective November 12, 2026, and extended to December 11, 2026 by Continuing Appropriations Act[21], the law is essentially a "hemp ban" which eliminates most consumable hemp products from the legal definition. While there are bill drafts introduced at the federal level to establish a pathway for a consumable hemp market such as the Lawful Hemp Protection Act[22], the future of this market is highly uncertain during the specific time of this study. Data obtained from the USDA[23] also reports that the floral harvested hemp, which is the source of consumable hemp products has shown slowed growth of only 5 percent in 2025 compared to 31 percent growth in 2024, signaling uncertainty for the industry's future production.

The portion of this study relating to implementation of a retail tax on intoxicating hemp was met with difficulties in data validation. Due to the nature of an industry born out of exploiting a legal loophole, reliable intoxicating hemp data specific to Nevada was scarce. The intoxicating hemp industry has not been required to track product in the state's seed-to-sale system the way licensed cannabis has. This led to looking at other states for data as a way to estimate the Nevada market. While many states made intoxicating hemp data available, the economic conditions of the market did not align with conditions met in Nevada, namely the existing retail cannabis market versus a legalized hemp only market. The state most similar to Nevada's potential excise tax on both cannabis and intoxicating hemp is Minnesota.

Minnesota legalized commercial production of hemp in 2015 followed by the legalization of recreational cannabis in 2023[24]. With the legalization of adult-use recreational cannabis came the Excise Tax, which was enacted at a 10 percent rate and then raised to 15 percent effective July 1, 2025. The reverse scenario of Nevada's market occurred in Minnesota where consumers engaged mainly in intoxicating hemp initially, followed by recreational cannabis while Nevada has had a longer-standing recreational cannabis market for nearly ten years, only now potentially enacting a tax on the intoxicating hemp market. Despite the timing difference of establishing legality of the product, Minnesota has the most similarly established tax structure for cannabis and intoxicating hemp to the potential structure in Nevada. For purposes of this study, both states would have an applicable Excise Tax for cannabis and intoxicating hemp in addition to a similar

[21] Weixel, Nathaniel. "Senate Funding Bill Seeks Hemp THC Ban Delay." The Hill, 19 Mar. 2026, https://thehill.com/policy/healthcare/6009069-senate-funding-bill-seeks-hemp-thc-ban-delay/.
[22] Bowden, John. "Craig, Barr Introduce Hemp Bill." The Hill, 6 Feb. 2026, https://thehill.com/homenews/house/5981591-craig-barr-hemp-bill/.
[23] U.S. Department of Agriculture, National Agricultural Statistics Service. Hemp Production: 2026 Summary. USDA, 2026, https://www.nass.usda.gov/Publications/Todays_Reports/reports/hempan26.pdf.
[24] Minnesota Legislature. *Cannabis Regulation*. Minnesota Statutes, chapter 342, https://www.revisor.mn.gov/statutes/cite/342.

state and local sales tax rate of 6.875 percent[25] for state base rate in Minnesota and 6.85 percent in Nevada.

Using Minnesota's Low-Potency Hemp tax revenue data[26] and other publications[27],[28], we considered Nevada's intoxicating hemp market to be roughly $43 million a year by applying Minnesota's population and licensed cannabis sales ratios. The subcommittee recommends the same tax consistency with the final determined licensed cannabis Excise Tax rate and regulatory framework be applied to the intoxicating hemp operators for the scope of this study, which would provide for an estimated $4.3 million in intoxicating hemp Retail Excise Tax revenue at the 10 percent rate or $5.16 to $6.45 million to match the Retail Cannabis Excise Tax rates outlined in the recommendations of section 2.A. of this study. While an excise tax enacted on intoxicating hemp could potentially bring additional revenue to the State Education Fund, the market might also be eliminated due to the "hemp ban" initially slated for November 2026, but which has been extended to December 2026 and continues to be challenged at the time this study is submitted.

Recommendations of this body would also include regulatory oversight from the Cannabis Compliance Board of the licensed hemp retailers with partial revenue distributions of the excise tax to these operations in the same manner as licensed cannabis facilities in 2.A. The intoxicating hemp market has operated in Nevada for six years without registration, tracking, inspection or reporting requirements as the licensed cannabis has endured and this has caused the uncertainty in quantifying the market reliably in our state.

3. Conclusions

Upon thorough review of the current conditions of the cannabis market, the subcommittee recommends that if the elimination of wholesale cannabis tax with an increase of retail tax is pursued, the rate at which the retail tax shall be increased to is between 12 percent and 15 percent to be revenue neutral to the State Education Fund. The subcommittee does not make a recommendation as to whether the Wholesale Cannabis Tax should be eliminated. Rather, consistent with the directive in AB 76, the subcommittee evaluated the fiscal and market effects of such a change. If such a restructuring is pursued, existing distributions currently funded through the Wholesale Cannabis Tax would also need to be addressed through the Retail Cannabis Excise Tax.

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[25] Minnesota Department of Revenue. *Sales Tax Rate Calculator*. Minnesota Department of Revenue, https://www.revenue.state.mn.us/sales-tax-rate-calculator.

[26] Minnesota Office of Cannabis Management. Cannabis Market Monitor Dashboard. State of Minnesota, https://mn.gov/ocm/data-reports/dashboards/cannabis-market-monitor.jsp.

[27] Vicente LLP. Hemp-Derived Cannabinoid Markets: Using Tax Data to Assess Growth in Louisiana, Minnesota and Tennessee. 2024, https://vicentellp.com/insights/hemp-derived-cannabinoid-markets-using-tax-data-to-assess-growth-in-louisiana-minnesota-and-tennessee/.

[28] Callaghan, Peter. "Minnesota Raises $10 Million in First Year from Hemp-Derived THC Sales — but Isn't the Industry Bigger Than That?" MinnPost, 22 July 2024, https://www.minnpost.com/state-government/2024/07/minnesota-raises-10-million-in-first-year-from-hemp-derived-thc-sales-but-isnt-the-industry-bigger-than-that/.

Due to continuing change at the federal level of consumable and intoxicating hemp status, the future of the Nevada intoxicating hemp market is rife with uncertainty. This body was able to provide for simplistic ranges of revenue estimates should an excise tax be implemented in the current intoxicating hemp market. However, long term effects are not known without the clarity at the federal level.

Appendix I

Technical Analysis of the Subcommittee on Taxation of Cannabis and Cannabis Products in Nevada

1 Data Overview

The analysis relies on the validated public monthly cannabis sales dataset constructed from the Cannabis Control Board's METRC extract for the period January 2019 through December 2025. The public analytical panel contains 8,374 county-by-product-by-month observations. Total reported sales across the panel are approximately $5.46 billion, with 550.5 million units or grams sold and 150.7 million transactions. The public panel contains no postal-code field or other location detail below the county level.

The panel includes 11 counties and 28 product categories. Product categories are separated into unit-based and weight-based products. Unit-based products are measured in individual items, while weight-based products are measured in grams.

2 Annual Price Trends by Product Category

As shown in Figure 1, cannabis sales are highly concentrated among the largest product categories. The top 10 product categories generated approximately $5.42 billion, representing 99.3 percent of total reported sales over the period analyzed. The largest category was Flowers/Buds (WeightBased), which generated approximately $2.13 billion, followed by Concentrate (Solvent-based) (UnitBased) at $1.00 billion, Infused Edible (UnitBased) at $647.9 million, and Concentrate (Non-solvent) (UnitBased) at $553.95 million. This concentration suggests that price trends in the largest categories, particularly flower, concentrates, edibles, and pre-rolls, are especially important for understanding broader market conditions.

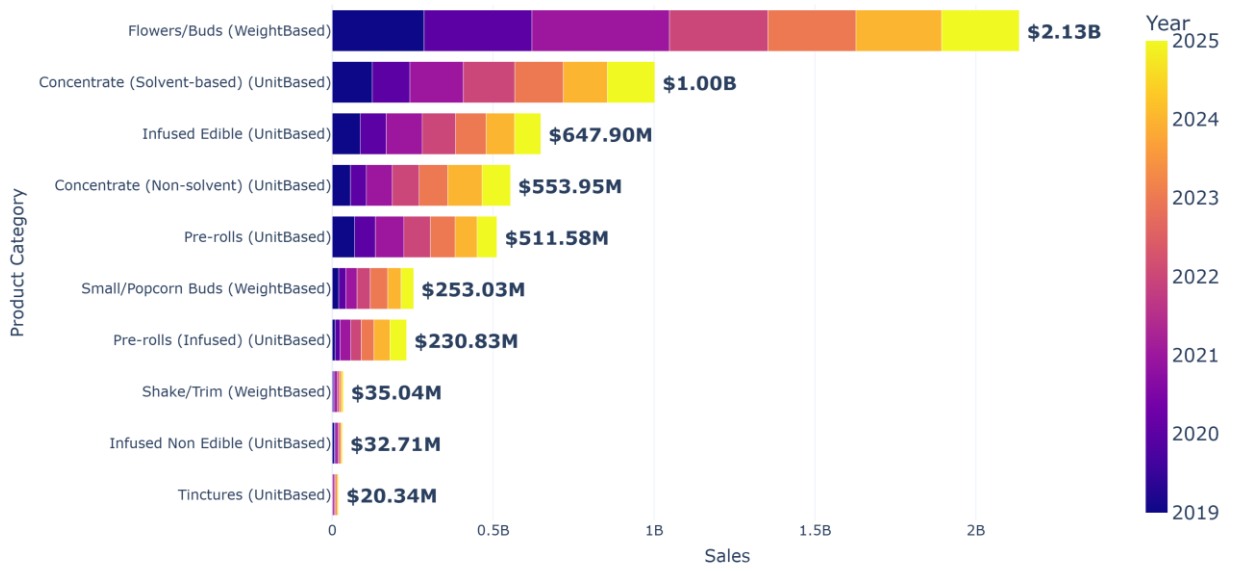


Figure 1: Top product categories by total sales, stacked by year.

Annual average prices were calculated by product category using total sales amount dollars divided by total quantity sold. This approach produces a weighted average price, meaning that product categories, counties, and months with larger sales volumes receive greater weight in the annual estimate. This is preferable to taking a simple average of monthly prices, since low volume observations can otherwise distort the overall price trend.

The annual price trends suggest broad price compression across most major cannabis product categories between 2019 and 2025. Among the 10 product categories with the highest total sales over the period, 9 of the 10 recorded lower average prices by the end of the period. This suggests that price declines were not isolated to a single product category but instead reflected broader market-wide price softening (see Table 1).

Product	Unit	Start	End	Change	Sales
Flowers/Buds	Per gram	$9.02 (2019)	$4.46 (2025)	-50.5%	$2.13B
Concentrate (Solvent-based)	Per item	$31.01 (2019)	$23.51 (2025)	-24.2%	$1.00B
Infused Edible	Per item	$19.77 (2019)	$11.81 (2025)	-40.2%	$647.9M
Concentrate (Non-solvent)	Per item	$33.36 (2019)	$22.28 (2025)	-33.2%	$554.0M
Pre-rolls	Per item	$9.70 (2019)	$6.83 (2025)	-29.6%	$511.6M
Small/Popcorn Buds	Per gram	$7.87 (2019)	$3.53 (2025)	-55.2%	$253.0M
Pre-rolls (Infused)	Per item	$20.12 (2019)	$16.32 (2025)	-18.9%	$230.8M
Shake/Trim	Per gram	$3.94 (2019)	$2.25 (2025)	-43.0%	$35.0M
Infused Non Edible	Per item	$36.49 (2019)	$33.15 (2025)	-9.2%	$32.7M
Tinctures	Per item	$12.68 (2019)	$16.74 (2025)	+32.0%	$20.3M

Table 1: Product price change summary for the ten leading sales categories.

The most notable declines occurred among flower related products. The average price for Flowers/Buds (WeightBased) declined from approximately $9.02 per gram in 2019 to $4.46 per gram in 2025, representing a decrease of about 50.5%. Similarly, Small/Popcorn Buds (WeightBased) declined from $7.87 per gram to $3.53 per gram, a decrease of about 55.2%. These patterns suggest that flower prices experienced substantial downward pressure over the period analyzed.

Price declines were also observed in several non-flower product categories. Infused Edible (UnitBased) products declined from approximately $19.77 per unit in 2019 to $11.81 per unit in 2025, representing a decrease of about 40.2%. Concentrate (Solvent-based) (UnitBased) products declined from $31.01 per unit to $23.51 per unit, a decrease of about 24.2%. Concentrate (Non-solvent) (UnitBased) products declined from $33.36 per unit in 2019 to $22.28 per unit in 2025, representing a decrease of about 33.2%. Pre-rolls also became less expensive over time, with Pre-rolls (UnitBased) declining from $9.70 per unit to $6.83 per unit.

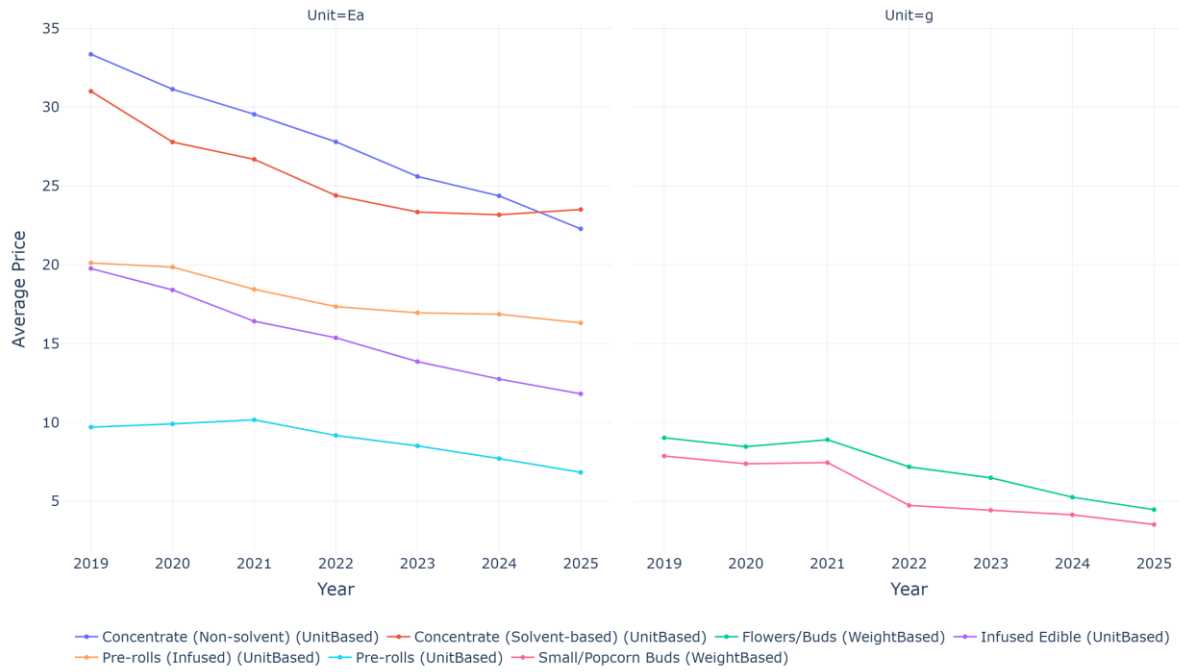


Figure 2: Annual average price by product category.

As shown in Figure 2, annual average prices generally trended downward for many of the focal product categories across both unit-based and weight-based products. The declines are especially visible among the major flower categories, including Flowers/Buds (WeightBased) and Small/Popcorn Buds (WeightBased), as well as among several important unit-based categories such as Infused Edible (UnitBased), Concentrate (Solvent-based) (UnitBased), and Pre-rolls (UnitBased). The figure also includes Concentrate (Non-solvent) (UnitBased), allowing its price trajectory to be evaluated alongside the other major unit-based categories. The figure highlights the importance of interpreting the results separately by unit of measurement, since weight-based

products are reported in dollars per gram, while unit-based products are reported in dollars per item. Overall, the annual price trends indicate that the Nevada cannabis market became less expensive for many of the largest product categories over the period analyzed. This may reflect a combination of market maturation, increased competition, changes in consumer behavior, production efficiencies, technological advances, and greater availability of lower priced products.

3 Price Variations

3.1 Annual Price Variation

This section evaluates year-to-year variation in annual average prices for the top selling product categories. Average price is calculated as total annual sales amount in dollars divided by total annual quantity sold for each product category. The summary statistics below are therefore calculated from each product's annual weighted average price series.

The price variation analysis compares annual average prices across the top-selling product categories. Because product categories differ in price levels and units of measurement, the coefficient of variation provides a useful, normalized measure of relative price dispersion across products. As shown in Table 2, price variation differed substantially across the top-selling product categories, with flower-related and weight-based products generally exhibiting greater relative price dispersion than several unit-based products.

Product	Years	Mean	Range	CV	Range / Mean
Flowers/Buds	7	$7.11	$4.46–9.02	25.4%	64.1%
Concentrate (Solvent-based)	7	$25.70	$23.17–31.01	11.4%	30.5%
Infused Edible	7	$15.48	$11.81–19.77	18.9%	51.4%
Concentrate (Non-solvent)	7	$27.73	$22.28–33.36	14.1%	40.0%
Pre-rolls	7	$8.86	$6.83–10.17	14.0%	37.6%
Small/Popcorn Buds	7	$5.65	$3.53–7.87	32.5%	76.9%
Pre-rolls (Infused)	7	$17.99	$16.32–20.12	8.4%	21.2%

Table 2: Annual price variation summary for the focal product categories.

Among the top-selling products, Small/Popcorn Buds (WeightBased) exhibited substantial relative price variation. Over the 7 years available, the average price ranged from $3.53 per grams to $7.87 per grams, producing a price range of $4.34. This represented a coefficient of variation of 32.5% and a range equal to 76.9% of the mean price.

Flowers/Buds (WeightBased), the largest product category by total sales, also showed substantial price variation. The average annual price ranged from $4.46 per g to $9.02 per grams, with a mean annual price of $7.11. The coefficient of variation for Flowers/Buds was 25.4%, while the price range represented 64.1% of the mean price. Given that this category accounted for $2.13 billion in total sales, price variation in flower products is especially important for understanding broader market conditions.

Variation among unit-based products also differed across categories. Concentrate (Solvent-based) (UnitBased) products generated $1.00 billion in total sales and had a coefficient of variation of 11.4%, with a mean annual price of $25.70 per Ea. Concentrate (Non-solvent) (UnitBased) generated $554.0 million in total sales, with a coefficient of variation of 14.1% and a mean annual price of $27.73 per Ea. Pre-rolls (UnitBased) and Pre-rolls (Infused) (UnitBased) had coefficients of variation of 14.0% and 8.4%, respectively. These statistics allow the two concentrate categories to be compared directly while preserving their distinct product definitions.

Overall, the results suggest that flower-related and weight-based product categories experienced the greatest relative price dispersion, while several unit-based products, particularly infused pre-rolls and standard unit-based pre-rolls, exhibited more stable annual pricing over the period analyzed.

3.2 Monthly Price Variation

The annual price analysis provides a broad measure of long-run price variation but may conceal shorter-term movements occurring within each year. To evaluate the timing and magnitude of these changes, this section examines monthly weighted average prices for the top-selling product categories.

Monthly average price is calculated as total monthly sales divided by total monthly quantity sold for each product category. This calculation produces a sales-weighted market price and prevents low-volume observations from receiving the same influence as high-volume observations.

Both month-over-month and year-over-year price changes are considered. Month-over-month changes measure short-term price movements but may reflect temporary volatility or seasonal sales patterns. Year-over-year changes compare each month with the corresponding month in the previous year and therefore provide a more stable measure of underlying price trends.

Product	Months	Mean Price	Avg. YoY	YoY Volatility	Monthly Range
Flowers/Buds	84	$7.11	-10.6%	10.7%	-10.0% to +9.7%
Concentrate (Solvent-based)	84	$25.69	-4.3%	7.3%	-25.3% to +28.4%
Infused Edible	84	$15.46	-8.1%	5.1%	-22.3% to +13.4%
Concentrate (Non-solvent)	84	$27.77	-6.4%	3.0%	-7.1% to +5.0%
Pre-rolls	84	$8.87	-5.4%	7.2%	-8.8% to +13.3%
Small/Popcorn Buds	84	$5.67	-11.3%	14.0%	-19.4% to +28.7%
Pre-rolls (Infused)	84	$18.06	-3.5%	5.1%	-9.4% to +11.0%

Table 3: Monthly price variation summary for the focal product categories.

As shown in Table 3, of the 7 top-selling product categories analyzed, 7 recorded negative average year-over-year price changes. However, the magnitude and volatility of these changes differed substantially across products.

Small/Popcorn Buds (WeightBased) experienced a substantial average year-over-year price decline among the top selling categories. Based on 84 months of available data, its average year-over-year price change was -11.3%, while year-over-year volatility was 14.0%. Its monthly price movements ranged from a decline of -19.4% to an increase of 28.7%. These results indicate that the category experienced both a sustained downward price trend and relatively substantial short-term price fluctuations.

Flowers/Buds (WeightBased), the largest product category by total sales, recorded an average year-over-year price change of -10.6%. Its mean monthly price was $7.11 per g, while its year-over-year volatility was 10.7%. The largest monthly price decline was -10.0%, compared with a largest monthly increase of 9.7%. These results indicate that flower prices generally declined over the period, although their short-term monthly movements were less extreme than those observed for Small/Popcorn Buds.

Among the unit-based categories, the two concentrate categories and infused edibles displayed distinct year-over-year price patterns. Concentrate (Solvent-based) (UnitBased) recorded an average year-over-year price change of -4.3%, with year-over-year volatility of 7.3%. Concentrate (Non-solvent) (UnitBased) recorded an average year-over-year price change of -6.4%, with year-over-year volatility of 3.0%. Infused Edible (UnitBased) recorded an average year-over-year price change of -8.1% and volatility of 5.1%. Treating solvent-based and non-solvent concentrates separately preserves differences in their price levels and short-run price behavior.

Unit-based pre-roll products also exhibited comparatively stable price movements. Pre-rolls (UnitBased) recorded an average year-over-year price change of -5.4% and year-over-year volatility of 7.2%. Similarly, Pre-rolls (Infused) (UnitBased) recorded an average year-over-year price change of -3.5%, with volatility of 5.1%. These results suggest that unit-based pre-roll prices followed a more gradual and consistent price trajectory than several weight-based product categories.

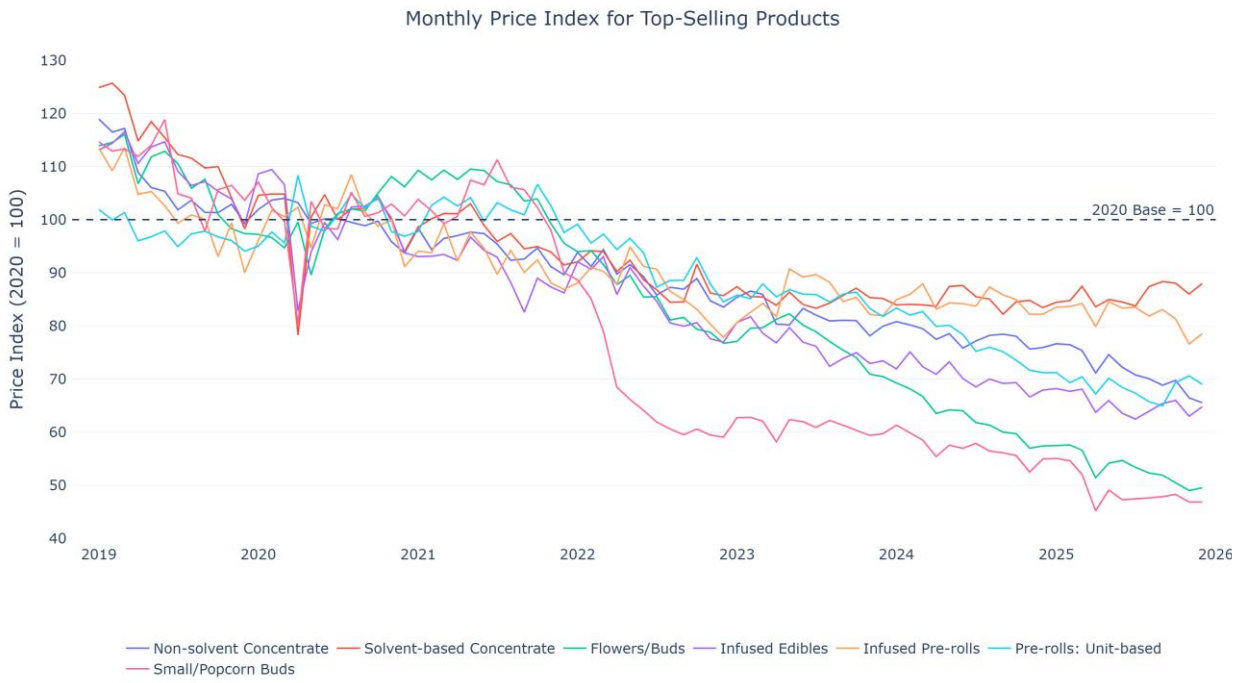


Figure 3: Monthly price index for top-selling product categories, with 2020 equal to 100.

As shown in Figure 3, monthly prices for most top-selling product categories fluctuated around their 2020 average through approximately 2021 before beginning a broader and more persistent decline. By December 2025, the price index for Small/Popcorn Buds had fallen to 46.8, indicating that its weighted average monthly price was approximately 53.2% below its 2020 average. Flowers/Buds followed a similar pattern, declining to an index value of 49.5, or 50.5% below the 2020 base. Infused Edibles also experienced a substantial decline, reaching an index of 64.8. In contrast, Solvent-based Concentrates, Non-solvent Concentrates, standard unit-based Pre-rolls, and Infused Pre-rolls ended the period at index values of 88.0, 65.5, 69.0, and 78.5, respectively.

Overall, the monthly results reinforce the annual findings. Flower-related and weight-based categories generally experienced larger price declines and greater price variability, while several unit-based categories exhibited more stable pricing patterns. The predominance of negative average year-over-year changes indicates broad price compression across Nevada's cannabis market during the period analyzed. These monthly movements provide the price variation needed for the subsequent elasticity analysis.

4 Quantity Demanded Trends by Product Category

The quantity analysis examines observed quantities sold as the empirical measure of quantity demanded. Because cannabis products are reported using different units of measurement, raw quantity levels are not directly comparable across all product categories. Weight-based products are measured in grams, while unit-based products are measured as individual items. To

facilitate comparisons of growth trajectories across products, annual quantity is therefore indexed within each product category to its 2020 level, with 2020 equal to 100.

The analysis focuses on seven focal product categories used consistently in the price and quantity analysis: Flowers/Buds, Small/Popcorn Buds, Solvent-based Concentrates, Non-solvent Concentrates, Infused Edibles, Pre-rolls, and Infused Pre-rolls.

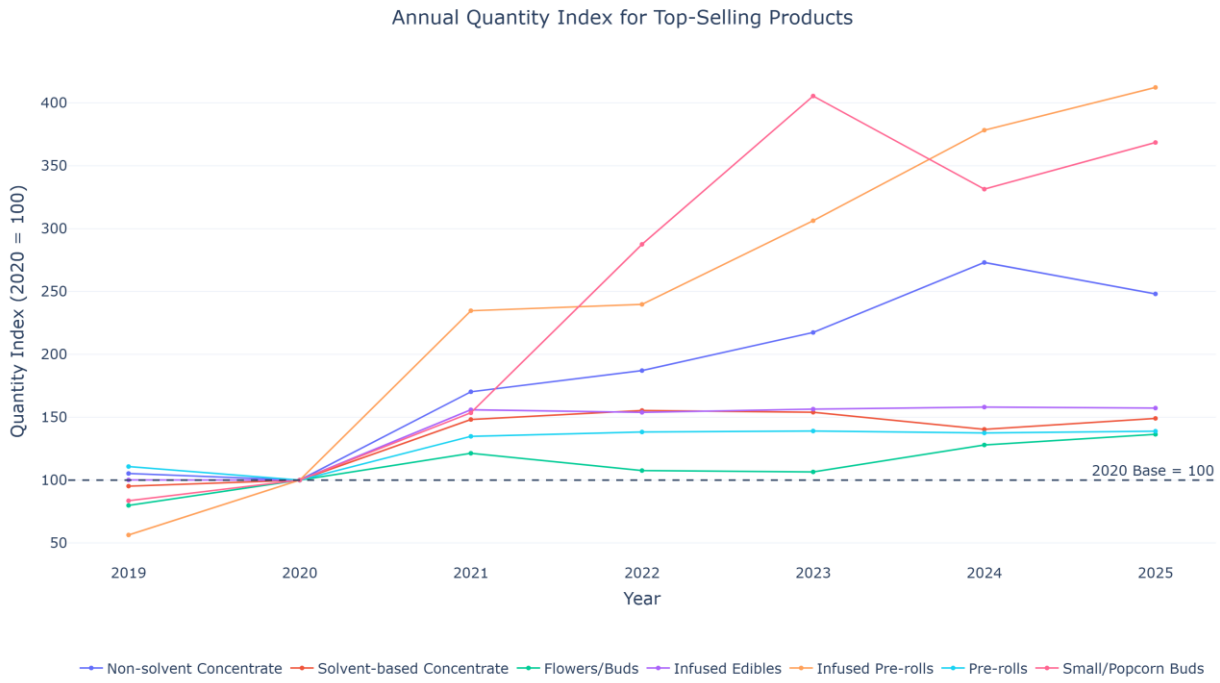


Figure 4: Annual quantity index for the seven focal product categories, with 2020 equal to 100.

As shown in Figure 4, quantities sold changed over the full 2019 through 2025 period across the seven focal product categories, although the direction and magnitude of change varied substantially across products. Infused Pre-rolls experienced a large cumulative increase, with quantity sold increasing by approximately 632.3%. Small/Popcorn Buds also experienced substantial growth, increasing by approximately 340.9%.

The remaining focal categories also experienced sizable cumulative changes. Quantity sold increased by approximately 56.6% for Solvent-based Concentrates, while Non-solvent Concentrates increased by approximately 135.7%. Flowers/Buds increased by approximately 70.8%, Infused Edibles by 57.1%, and standard Pre-rolls by 25.4% over the period analyzed.

These results indicate that changes in Nevada's cannabis market were not uniform across product types. In particular, the growth of Infused Pre-rolls and Small/Popcorn Buds suggests substantial changes in the composition of quantities purchased over time. Separating Solvent-based and Non-solvent Concentrates also shows that concentrate demand should not be treated as a single homogeneous product category. These quantity movements occurred alongside the price changes documented in the preceding sections; however, the descriptive relationship between

prices and quantities should not be interpreted as causal. The subsequent elasticity analysis formally evaluates the relationship between price and quantity demanded.

4.1 Transactions and Quantity per Transaction

Changes in total quantity sold may reflect either changes in the number of transactions or changes in the average quantity purchased within each transaction. Total quantity can be expressed as:

$$Q = T \times \frac{Q}{T},$$

where Q represents total quantity sold and T represents the number of transactions. Accordingly, quantity growth can be decomposed into changes in transaction activity and changes in quantity per transaction.

For the long-run decomposition, logarithmic changes are used because they are exactly additive:

$$\Delta \ln Q = \Delta \ln T + \Delta \ln(Q/T).$$

Figure 5 presents these two components for the seven focal product categories between 2019 and 2025. The percentages displayed at the right of the figure report the corresponding cumulative percentage change in total quantity sold.

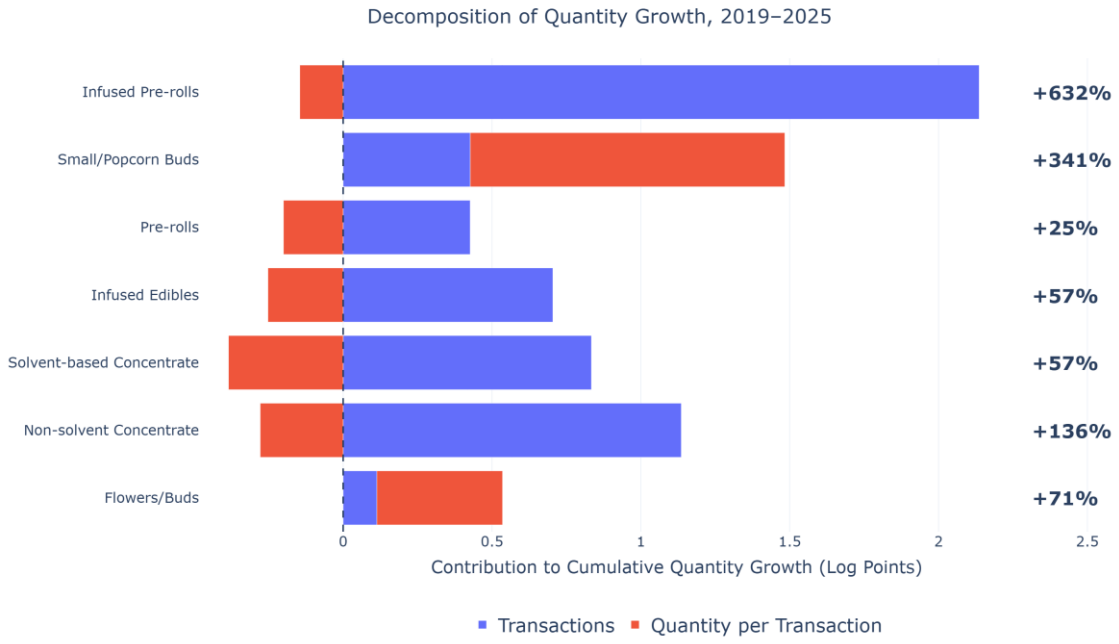


Figure 5: Decomposition of cumulative quantity growth into changes in transactions and quantity per transaction, 2019-2025.

The decomposition reveals two distinct patterns of quantity growth. For Flowers/Buds, total quantity increased by 70.8%, while transactions increased by only 12.0% and quantity per transaction increased by 52.5%. Approximately 78.8% of the cumulative log growth in flower

quantity was therefore associated with increases in quantity purchased per transaction. Small/Popcorn Buds exhibited a similar pattern: transactions increased by 53.3%, while quantity per transaction increased by 187.7%. Quantity per transaction accounted for approximately 71.2% of the category's cumulative log quantity growth.

Among unit-based categories, Solvent-based Concentrates recorded a 130.2% change in transactions and a -32.0% change in quantity per transaction. For Non-solvent Concentrates, transactions increased by approximately 211.4%, while quantity per transaction decreased by approximately 24.3%. Infused Edibles and standard Pre-rolls recorded transaction changes of 102.3% and 53.2%, with quantity-per-transaction changes of -22.3% and -18.2%, respectively. These measures distinguish whether cumulative quantity changes were associated primarily with transaction activity or with changes in the average quantity purchased per transaction.

Infused Pre-rolls represent the most transaction-driven growth pattern among the major product categories. Total quantity increased by 632.3%, supported by a 747.0% increase in transactions, while quantity per transaction declined by -13.5%. The transaction component accounts for 107.3% of the cumulative log change in quantity. A contribution greater than 100 percent occurs because the decline in quantity per transaction partially offset the increase generated by transaction growth.

These results indicate that growth in observed cannabis quantities has occurred through different market mechanisms across product categories. Flower-related products experienced substantial increases in average quantity purchased per transaction, while several unit-based categories expanded primarily through greater transaction activity. Transaction counts should not be interpreted as the purchasing frequency of individual consumers because the administrative data do not identify unique purchasers. Rather, the measure captures aggregate transaction activity within each product category.

Together with the preceding price analysis, these quantity patterns provide the descriptive foundation for the elasticity models that follow. The elasticity analysis evaluates more formally how changes in product prices are associated with changes in quantities demanded across Nevada's cannabis market.

5 Cultivation Supply Conditions

The preceding sections examine retail prices and observed quantities sold. To provide upstream context for these market trends, this section examines cultivation transfer data reported to the Cannabis Control Board. The cultivation data contain monthly observations from 2019 through 2025 and include 23 raw reporting categories, which are consolidated into 15 analytically consistent supply categories.

The primary measure used in this section is weight shipped, which represents the actual cannabis weight transferred and excludes packaging weight. The alternative Count Shipped field is not used as a continuous supply measure because package or unit definitions are not standardized across product types and the field becomes unavailable beginning in 2022. Weight shipped

therefore provides the most consistent measure of upstream cannabis movement over the full period.

The measure is referred to throughout this report as Gross Cultivator Outbound Weight. It should not be interpreted as unique cannabis production, inventory, or net market supply. The cultivation transfer data can include cultivator-to-cultivator movements, meaning that the same physical cannabis may appear in the data more than once as it moves through the supply chain. Accordingly, the measure is best interpreted as gross upstream cultivation activity entering or moving through Nevada's regulated cannabis supply chain.

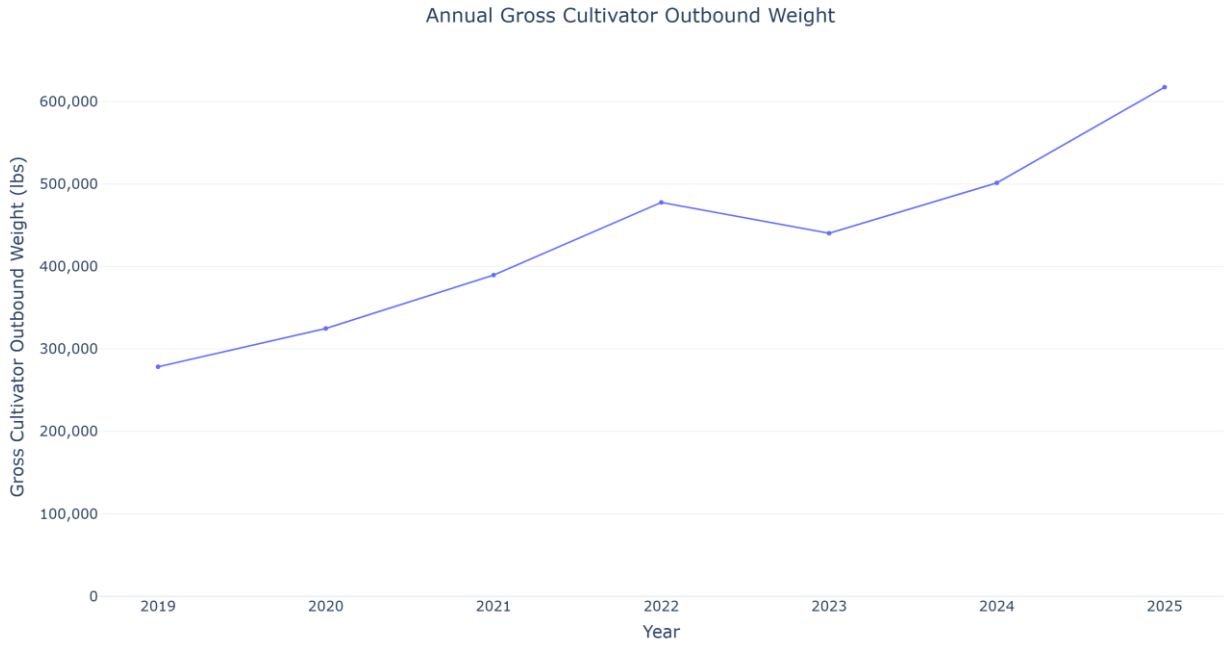


Figure 6: Annual gross cultivator outbound weight in Nevada, 2019-2025.

As shown in Figure 6, gross cultivator outbound weight expanded substantially over the period analyzed. Total outbound weight rose from approximately 278,355 pounds in 2019 to 617,442 pounds in 2025, representing a cumulative increase of approximately 121.8%.

Growth was not uniform from year to year. The largest annual decline occurred in 2023, when gross outbound weight decreased by approximately 7.8%, while the largest annual increase occurred in 2025, when gross outbound weight increased by approximately 23.2%.

The expansion in gross outbound cultivation activity occurred during the same broad period in which retail prices declined across many of Nevada's largest cannabis product categories and quantities sold increased across several major categories. This combination is consistent with a regulated market experiencing substantial growth in both upstream product movement and retail activity. However, this descriptive relationship should not be interpreted as evidence that growth in cultivator outbound weight caused the observed decline in retail prices. Gross outbound weight

may contain repeated movements of the same cannabis material, inventories are not observed, and retail demand also changed substantially during the period.

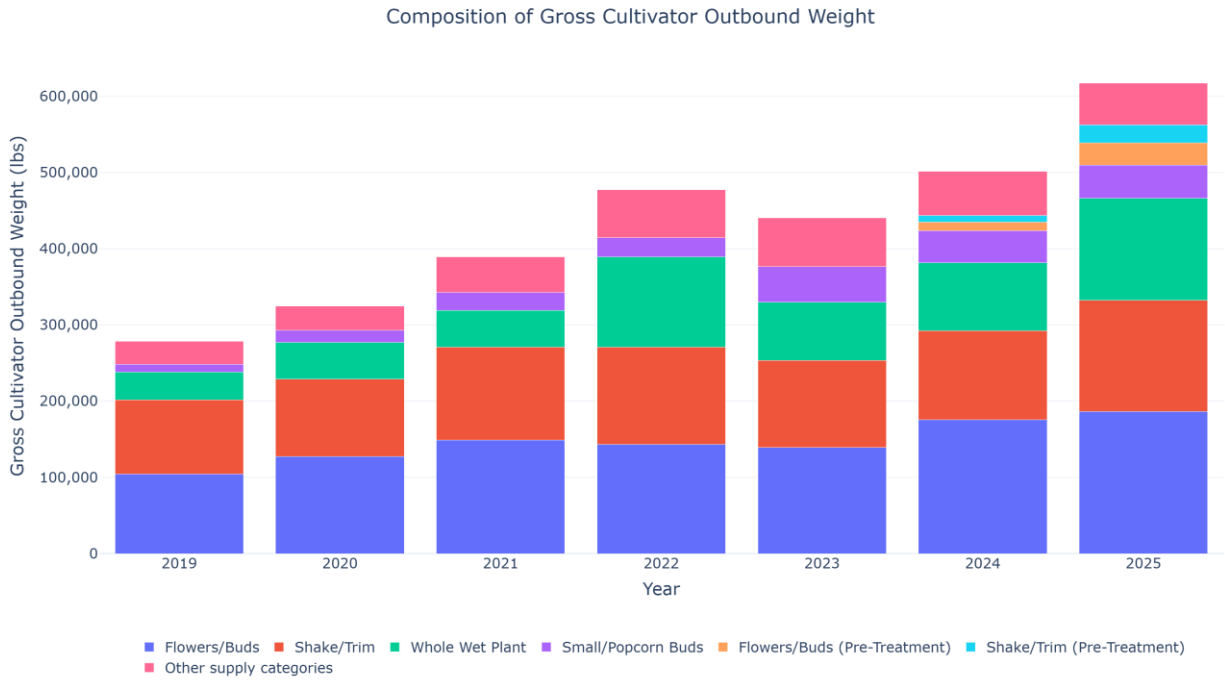


Figure 7: Composition of annual gross cultivator outbound weight by leading consolidated supply categories.

As shown in Figure 7, upstream cannabis activity remained concentrated in a relatively small number of plant-material categories. In 2025, Flowers/Buds represented approximately 30.2% of gross cultivator outbound weight, followed by Shake/Trim at 23.7% and Whole Wet Plant at 21.7%. Together, these three categories accounted for approximately 75.5% of total gross outbound weight in the latest year.

The cultivation categories are not intended to map one-for-one to the retail product categories used in the price and quantity-demand analysis. Cultivation records include raw plant material, intermediate processing inputs, and products transferred at different stages of production. Consequently, the cultivation data provide a broader measure of upstream market activity rather than a direct product-level supply counterpart to the retail quantity measures.

Taken together, the retail and cultivation data describe a Nevada cannabis market characterized by substantial growth in upstream cannabis movement, declining prices across many major retail categories, and considerable growth in quantities sold for several products. These simultaneous changes are important when interpreting the demand estimates that follow. The elasticity analysis isolates the relationship between retail prices and quantities demanded, while the cultivation data demonstrate that those demand responses occurred within a market undergoing substantial changes in upstream supply conditions.

6 Price Elasticity of Demand

6.1 Estimation Approach

The elasticity analysis estimates a separate log-log panel model for each of the seven explicitly modeled product categories. In each model, the dependent variable is the natural logarithm of monthly quantity sold and the principal explanatory variable is the natural logarithm of the product's monthly weighted average price. County fixed effects account for persistent differences across counties, while month-year fixed effects account for statewide shocks common to all counties in a given month. Standard errors are clustered by county.

Because both price and quantity enter the model in logarithms, the estimated price coefficient is interpreted as an own-price elasticity of demand. For example, an elasticity of −1.50 indicates that a 1% increase in price is associated with an estimated 1.50% reduction in quantity demanded, holding the model's fixed effects constant. These estimates describe within-county historical associations and should not be interpreted as experimental causal effects.

The seven modeled products represented approximately $711.2 million, or 97.79% of taxable sales in the 2025 baseline. Each model uses observations from 11 counties, with product-specific sample sizes ranging from 656 to 731 county-month observations.

6.2 Elasticity Estimates and Small-Cluster Inference

The point estimates are negative for all 7 modeled products and range from −1.72 to −0.35. Five product categories have point estimates greater than one in absolute value, indicating elastic demand at the point estimate, while Infused Edibles and Standard Pre-rolls have point estimates between zero and negative one.

Because the models contain only 11 county clusters, conventional cluster-robust inference may overstate precision. The analysis therefore supplements the conventional results with wild-cluster bootstrap inference using Webb weights and 9,999 replications. The bootstrap tests whether each elasticity differs from zero and whether it differs from negative one. Under this procedure, 6 of the seven estimates are statistically different from zero at the 5% level. The null of unit elasticity cannot be rejected for 6 estimates; this should be interpreted as statistical uncertainty around negative one, not as proof that those products are exactly unit elastic.

Product	Elasticity	Clustered SE	Wild-bootstrap 95% CI	Inference
Flowers/Buds	−1.60	0.20	[−2.01, −0.89]	Not different from unit elastic
Solvent-based Concentrate	−1.17	0.35	[−2.63, −0.58]	Not different from unit elastic
Infused Edibles	−0.35	0.40	[−2.07, 0.24]	Not different from zero
Non-solvent Concentrate	−1.72	0.49	[−2.64, −0.22]	Not different from unit elastic
Standard Pre-rolls	−0.66	0.12	[−0.91, −0.34]	Inelastic
Small/Popcorn Buds	−1.69	0.75	[−3.77, −0.23]	Not different from unit elastic
Infused Pre-rolls	−1.44	0.19	[−1.77, −0.72]	Not different from unit elastic

Table 4: Product-level price elasticity estimates and wild-cluster-bootstrap inference.

Flowers/Buds has an estimated elasticity of −1.60, with a wild-bootstrap 95% confidence interval of [−2.01, −0.89]. Non-solvent Concentrate and Small/Popcorn Buds have estimates of −1.72 and −1.69, respectively, while Infused Pre-rolls has an estimate of −1.44. These point estimates imply comparatively strong quantity responses to price changes, although the bootstrap results generally do not distinguish them statistically from unit elasticity.

Solvent-based Concentrate has an estimated elasticity of −1.17. Standard Pre-rolls has an estimated elasticity of −0.66 and is classified as inelastic under the bootstrap analysis. Infused Edibles has the smallest response in absolute value, with an estimated elasticity of −0.35; its bootstrap confidence interval is [−2.07, 0.24], and the estimate is not statistically distinguishable from zero.

6.3 Leave-One-County-Out Sensitivity Analysis

A leave-one-county-out analysis re-estimates each product model repeatedly after excluding one county at a time. This test evaluates whether the full-sample result is driven disproportionately by any single county. Across all seven products, no county exclusion reverses the sign of an elasticity estimate. However, the estimated response crosses the unit-elastic threshold of negative one for 3 products under at least one county exclusion.

Product	Full estimate	LOO range	Most influential county	Largest shift	Stability
Flowers/Buds	−1.60	−1.77 to −1.47	Lyon	10.5%	Moderate (10-25%)
Solvent-based Concentrate	−1.17	−1.43 to −0.89	Nye	24.3%	Moderate (10-25%)
Infused Edibles	−0.35	−1.27 to −0.16	Churchill	261.8%	Large (>=25%)
Non-solvent Concentrate	−1.72	−2.00 to −1.30	Elko	24.5%	Moderate (10-25%)
Standard Pre-rolls	−0.66	−0.72 to −0.59	Carson City	10.6%	Moderate (10-25%)
Small/Popcorn Buds	−1.69	−2.33 to −0.84	Churchill	50.3%	Large (>=25%)
Infused Pre-rolls	−1.44	−1.53 to −1.31	Carson City	8.5%	Stable (<10% shift)

Table 5: Leave-one-county-out sensitivity of the product-level elasticity estimates.

The stability classification identifies 1 product as stable, 4 as moderately sensitive, and 2 as highly sensitive to the exclusion of a single county. Infused Pre-rolls is the most stable estimate, ranging from −1.53 to −1.31; its most influential exclusion changes the estimate by 8.5%. Infused Edibles and Small/Popcorn Buds show the largest proportional sensitivity, with leave-one-county-out ranges of −1.27 to −0.16 and −2.33 to −0.84, respectively. The large percentage movement for Infused Edibles partly reflects that its full-sample estimate is comparatively close to zero.

The sensitivity results support using a range of elasticity assumptions in the policy simulations rather than relying only on the central point estimates. Accordingly, the simulations include the central estimates, the least-negative leave-one-county-out estimates, the most-negative leave-one-county-out estimates, and a unit-elastic benchmark.

7 Retail Excise Tax Policy Scenarios

7.1 Simulation Framework

The policy simulation begins with 2025 taxable sales for the seven modeled products and the current retail excise tax rate of 10%. The modeled products account for 97.79% of baseline taxable sales. For each proposed tax rate, the simulation applies the estimated price response to product-level taxable sales and then calculates the resulting retail excise revenue.

The simulation assumes 100% pass-through of the tax-induced price increase to consumers and holds each product's elasticity constant over the policy range. Four elasticity scenarios are evaluated: the central estimate, the least-negative leave-one-county-out estimate, a unit-elastic benchmark, and the most-negative leave-one-county-out estimate. These assumptions are deliberately transparent, but they also mean that the results are scenario estimates rather than official revenue forecasts.

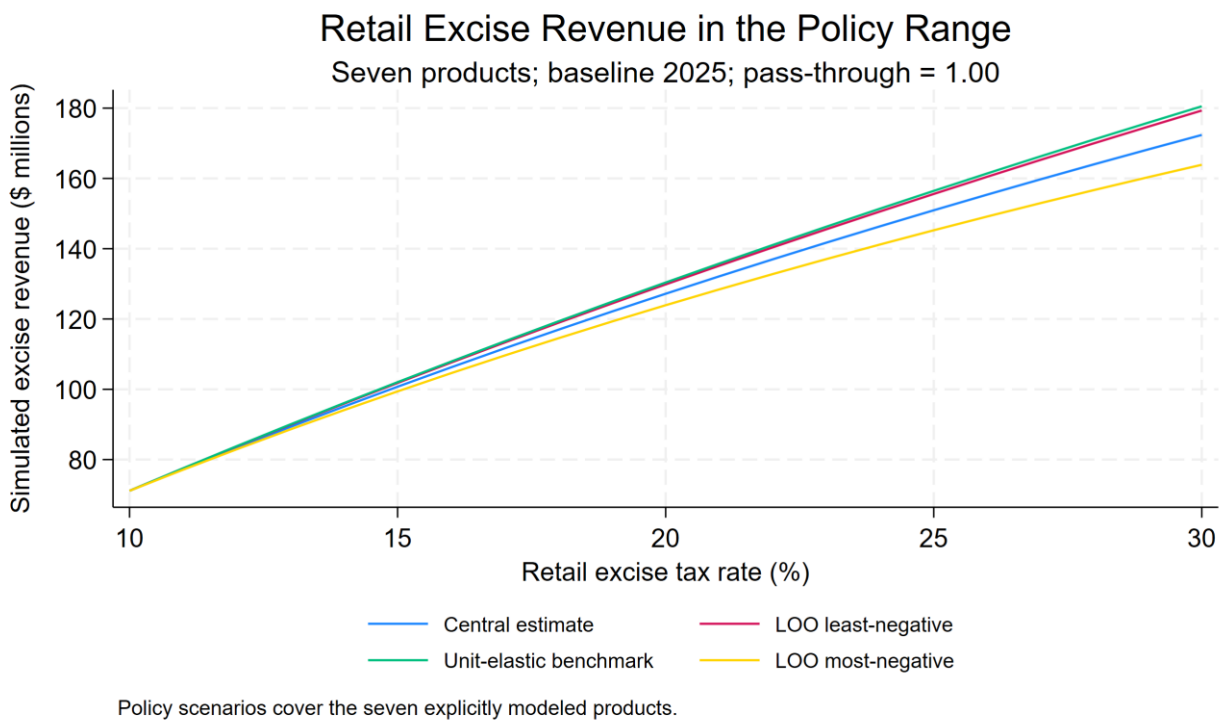


Figure 8: Simulated retail excise revenue across the 10%-30% policy range.

As shown in Figure 8, simulated retail excise revenue increases throughout the 10%-30% policy range under all four elasticity scenarios. The differences among scenarios widen as the tax rate increases because more responsive demand produces a larger contraction in the taxable-sales base.

7.2 Policy-Range Results

Tax rate	Sales decline range	Additional revenue range
12%	1.8%–2.8%	$11.8–12.7 million
15%	4.3%–6.8%	$28.3–30.9 million
20%	8.3%–12.9%	$52.8–59.3 million
25%	12.0%–18.3%	$74.1–85.3 million
30%	15.4%–23.2%	$92.8–109.4 million

Table 6: Selected retail excise tax scenarios under alternative elasticity assumptions.

At a 12% tax rate, the modeled decline in taxable sales ranges from 1.8% to 2.8%, while additional retail excise revenue ranges from $11.8 to $12.7 million. At 15%, the modeled sales decline ranges from 4.3% to 6.8%, with additional revenue of $28.3 to $30.9 million. This provides a moderate illustrative scenario in which the largest modeled reduction in taxable sales remains below 7%.

At a 20% tax rate, the modeled sales decline ranges from 8.3% to 12.9%, while additional revenue ranges from $52.8 to $59.3 million. Under the central elasticity estimates, the 20% scenario produces a 10.6% reduction in taxable sales and approximately $56.1 million in additional retail excise revenue.

At higher rates, the estimated fiscal gain continues to rise, but so does the modeled contraction in legal taxable sales. At 25%, the sales decline ranges from 12.0% to 18.3% and additional revenue ranges from $74.1 to $85.3 million. At 30%, the corresponding ranges are 15.4% to 23.2% and $92.8 to $109.4 million.

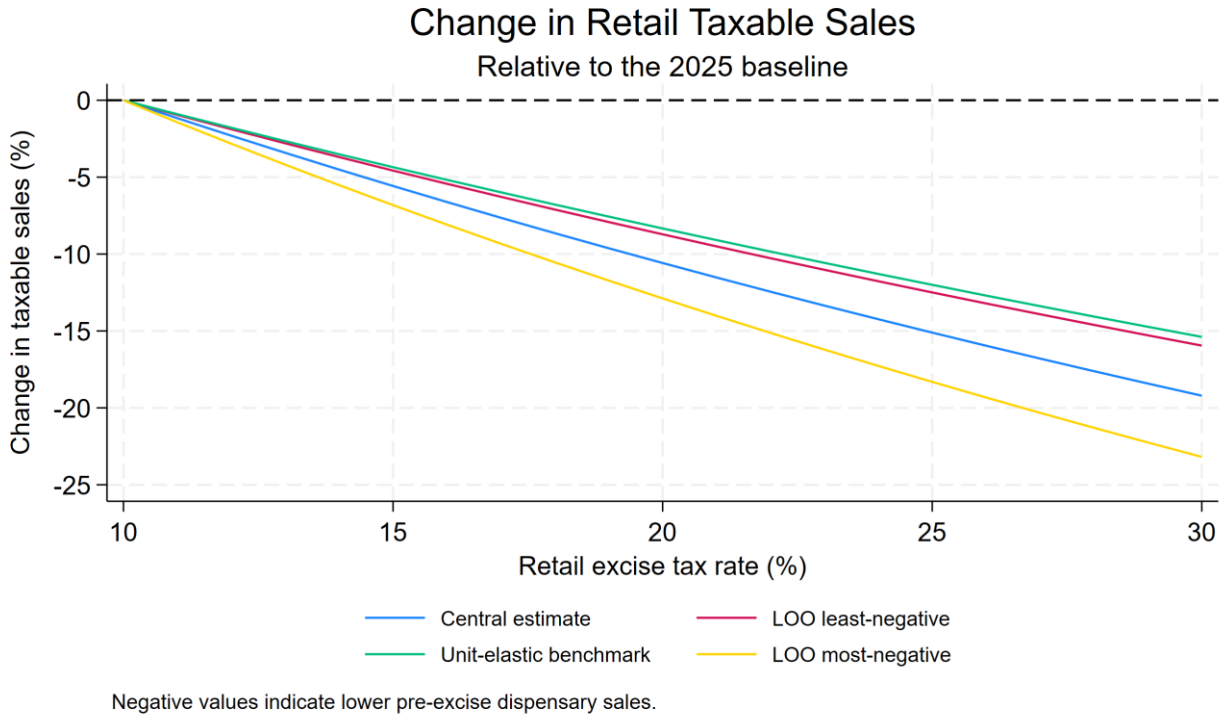


Figure 9: Modeled percentage change in taxable sales across the 10%-30% policy range.

Figure 9 shows that the reduction in taxable sales becomes progressively larger as the tax rate increases. The most-negative leave-one-county-out scenario generates the largest contraction, while the least-negative and unit-elastic scenarios produce smaller reductions. The central estimate remains between these bounds across the policy range.

7.3 Revenue and Taxable-Sales Tradeoff

The model does not identify a single optimal tax rate because the appropriate policy depends on how decision-makers value additional State revenue relative to contraction in the regulated market. The central-estimate tradeoff is shown in Figure 10.

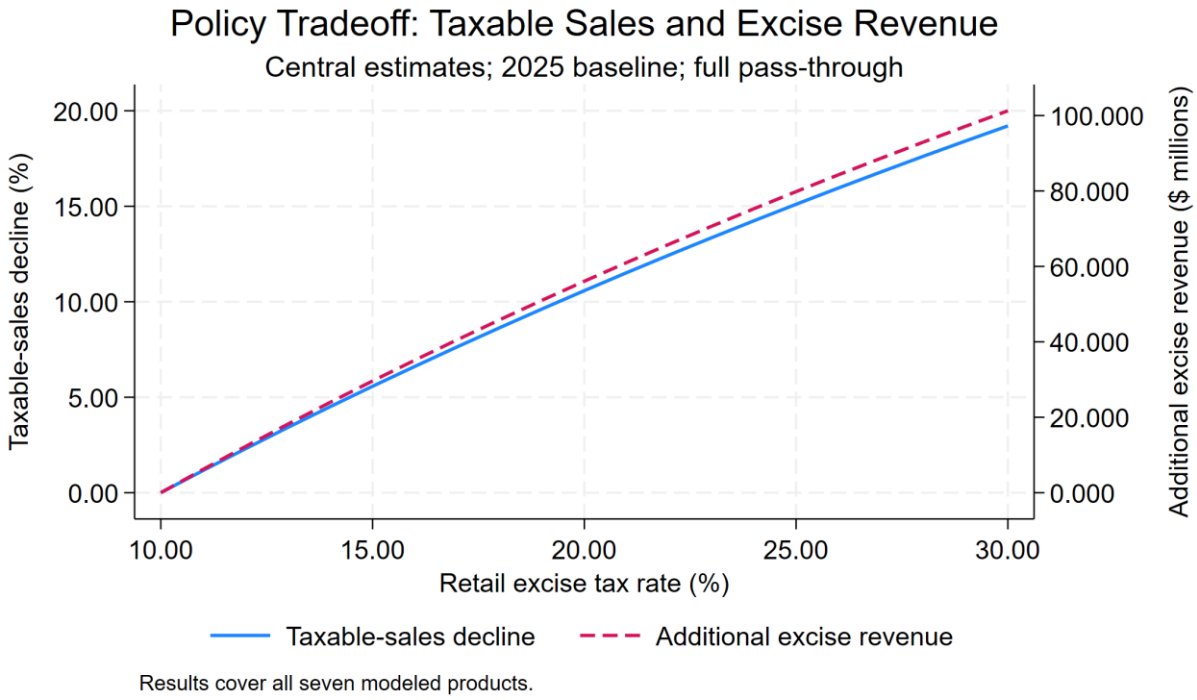


Figure 10: Central-estimate tradeoff between additional retail excise revenue and the reduction in taxable sales.

Under the central estimates, a 15% rate produces approximately $29.6 million in additional revenue and a 5.6% decline in taxable sales. The associated reduction in taxable sales is approximately $39.6 million, or $1.34 in taxable sales for each additional dollar of retail excise revenue.

At 20%, the central scenario produces approximately $56.1 million in additional revenue and a 10.6% decline in taxable sales. The corresponding reduction in taxable sales is $75.3 million, or $1.34 per additional tax dollar. At 30%, the central scenario produces $101.3 million in additional revenue, accompanied by a 19.2% decline in taxable sales.

These results support presenting the policy decision as a continuum rather than a single mathematically determined recommendation. A 15% rate is a useful moderate benchmark, while a 20% rate is a more revenue-focused scenario with a central modeled sales decline of roughly 11%. Rates above 20% continue to generate additional modeled revenue within the range examined, but they also imply progressively larger contractions in the legal taxable-sales base.

8 Interpretation and Limitations

The elasticity estimates and tax simulations should be interpreted with several limitations in mind. First, the regressions identify historical associations between average price and quantity sold; they do not reproduce a controlled experiment. Changes in potency, quality, package size,

brand composition, product mix, and consumer preferences may affect both average prices and observed quantities within broad product categories.

Second, the models use county-level clusters, and only 11 counties contribute to each full-sample model. Wild-cluster bootstrap inference improves the treatment of small-cluster uncertainty, but some estimates remain imprecise, particularly for Infused Edibles and Small/Popcorn Buds. The leave-one-county-out results further demonstrate that the magnitude of selected estimates can be sensitive to individual counties even when the estimated sign remains stable.

Third, the policy simulations assume full tax pass-through. Dispensaries may absorb part of a tax increase through lower margins, pass through more or less than the full amount, or adjust prices differently across products and locations. The simulation also holds elasticities constant over the policy range, although consumer responses may change as tax rates move farther from historically observed conditions.

Fourth, the models do not directly estimate substitution among cannabis products, purchases from the illicit market, cross-border shopping, store entry or exit, tax avoidance, or changes in market participation. These behavioral responses could affect both legal sales and realized tax collections.

Finally, the simulations cover the seven modeled products rather than every cannabis category. Although those products represent 97.79% of 2025 taxable sales, the revenue estimates apply to the modeled portion of the market. The results are conditional policy scenarios, not official revenue forecasts or estimates of a revenue-maximizing or socially optimal tax rate.

9 Conclusion

Nevada's regulated cannabis market experienced substantial price compression across many major retail categories, growth in quantities sold for several products, and a large expansion in gross upstream cultivation activity. The elasticity analysis indicates that quantity demanded responds negatively to price across all seven modeled products, but the magnitude and precision of that response differ substantially by category.

The tax simulations translate those estimated demand responses into transparent policy scenarios. Within the 10%-30% range examined, higher retail excise tax rates generate additional modeled revenue under all four elasticity assumptions, but they also reduce the legal taxable-sales base. The central policy question is therefore not whether higher rates can raise additional revenue within this range, but how to weigh revenue against the associated contraction in regulated-market activity and the uncertainty surrounding consumer response.

10 Technical Appendix: Product-Level Policy Curves

The main policy discussion emphasizes aggregate results. The following figures show the central-estimate simulation separately for each of the seven modeled product categories.

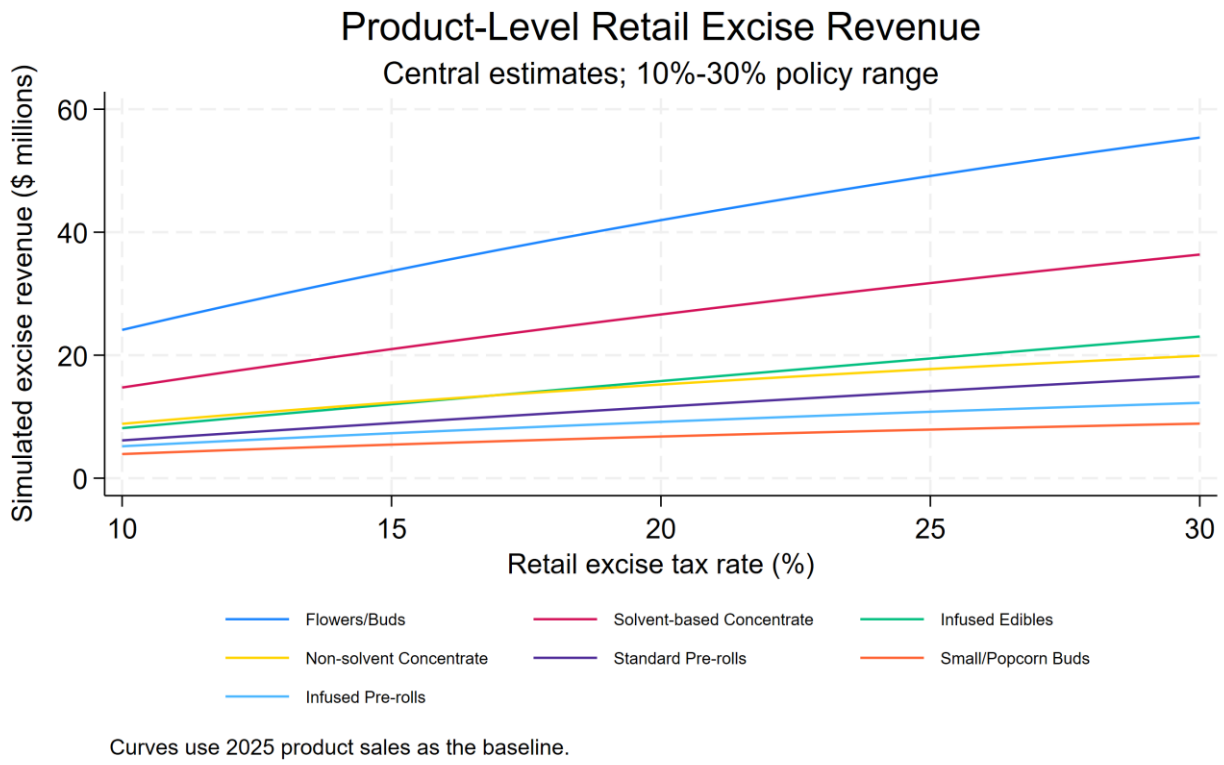


Figure 11: Product-level simulated retail excise revenue across the 10%-30% policy range.

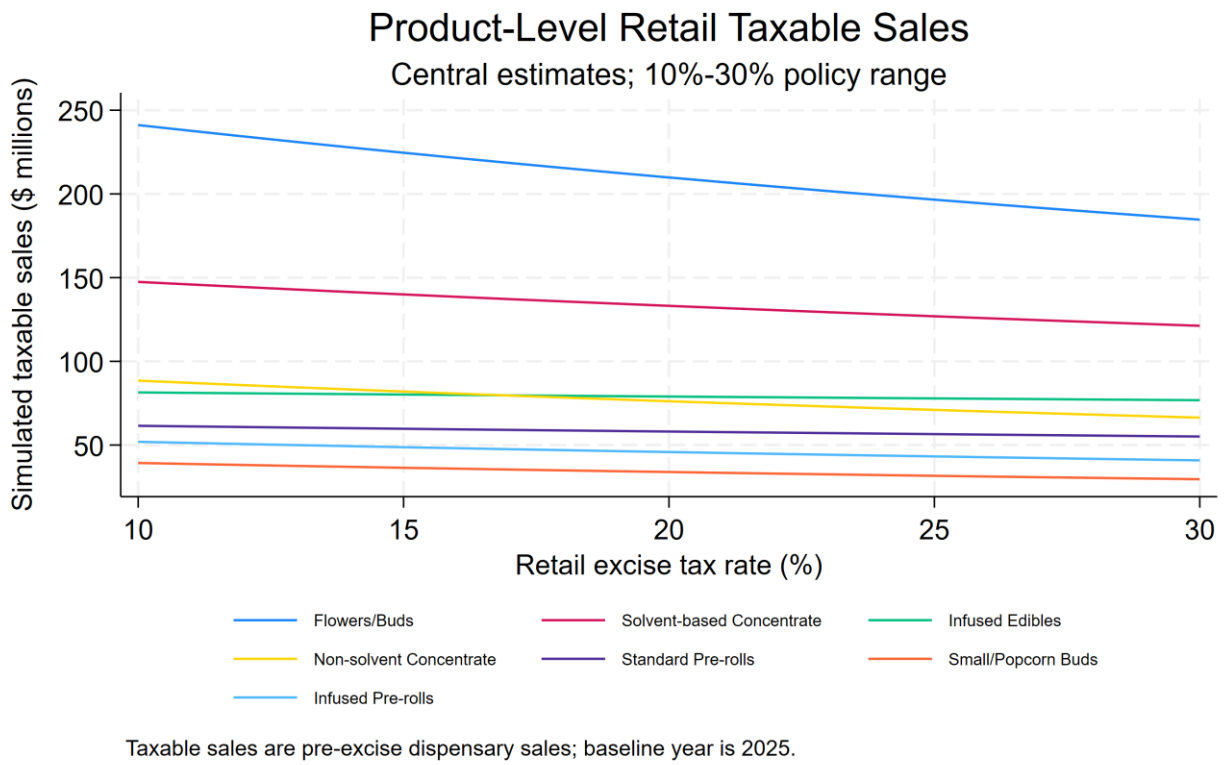


Figure 12: Product-level simulated taxable sales across the 10%-30% policy range.