

**MINUTES OF THE  
SENATE COMMITTEE ON REVENUE AND ECONOMIC DEVELOPMENT**

**Eighty-third Session  
February 25, 2025**

The Senate Committee on Revenue and Economic Development was called to order by Vice Chair Fabian Doñate at 1:06 p.m. on Tuesday, February 25, 2025, in Room 2149 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. The meeting was videoconferenced to Room 5 of the Nevada Legislature Hearing Rooms, 7120 Amigo Street, Las Vegas, Nevada. [Exhibit A](#) is the agenda. [Exhibit B](#) is the attendance roster. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

**COMMITTEE MEMBERS PRESENT:**

Senator Fabian Doñate, Vice Chair  
Senator Michele Cruz-Crawford  
Senator Jeff Stone  
Senator John C. Steinbeck

**COMMITTEE MEMBERS ABSENT:**

Senator Dina Neal, Chair (Excused)

**STAFF MEMBERS PRESENT:**

Michael Nakamoto, Chief Principal Deputy Fiscal Analyst  
Christian Thauer, Deputy Fiscal Analyst  
Connie Summers, Committee Secretary

**OTHERS PRESENT:**

James Humm, Executive Director, Cannabis Compliance Board  
Kara Cronkhite, Chief of Health and Safety, Cannabis Compliance Board  
Shellie Hughes, Executive Director, Nevada Department of Taxation  
Yvonne Nevarez-Goodson, Chief Deputy Director, Nevada Department of  
Taxation  
Erica Scott, Economist III, Nevada Department of Taxation

VICE CHAIR DOÑATE:

We have two presentations today. The first presentation is from the Cannabis Compliance Board, which will present on cannabis regulation. The second presentation is from the Department of Taxation, which will present on cannabis taxes.

JAMES HUMM (Executive Director, Cannabis Compliance Board):

Joining me today is our Chief of Administration, Steve Gilbert; our Chief of Health and Safety, Kara Cronkhite; and our Chief of Investigations, Dave Staley. I have said in prior presentations, and I will continue to echo that sentiment, whatever measure of success I will have in this appointment will be because of them and their incredible teams who serve the State with dedication and unrivaled efficiency.

Governor Joe Lombardo named me to lead the Cannabis Compliance Board (CCB) in December 2023. In the prior six years, I had the pleasure of serving the State in various roles at both the Attorney General's Office and the Governor's Office of Economic Development. During my 14 months at the agency, we have already accomplished, and will continue to accomplish, many more great things.

The timeline of Nevada's CCB began when the Board was established through A.B. No. 533 of the 80th Session. The CCB consists of five board members appointed by the Governor. The bill also created the 12-person Cannabis Advisory Commission (CAC) to study cannabis-related topics and make recommendations to the CCB.

In 2000, Nevadans voted to legalize medical use. In 2015, the first medical marijuana establishment opened. In 2016, voters approved Nevada Ballot Question No. 2 which legalized adult use or recreational use. In 2017, recreational sales began in Nevada. The State's cannabis program transitioned from the Division of Public and Behavioral Health to the Nevada Department of Taxation (NDT). In 2019, Governor Steve Sisolak signed A.B. No. 533 of the 80th Session, as noted above, creating the Cannabis Compliance Board which, at the time, was modeled after the Nevada Gaming Control Board. In 2020, the State's cannabis program transitioned from DOT [Nevada Department of Transportation] to the CCB.

Our mission statement is what guides the agency. The CCB governs Nevada's cannabis industry through strict regulation of all areas of its licensing and operations, protecting the public health and safety of our citizens and visitors while holding cannabis licensees to the highest ethical standards.

The CCB consists of five board members appointed by the Governor. We hold regular monthly public board meetings; host ad hoc regulatory workshops; review and approve final licensures, transfers of interest, management services agreements and the like. We also approve the service of disciplinary action such as complaints. We act as the final arbiter of discipline and have final approval regarding subsequent settlement agreements. Additionally, the Board may also hold emergency board meetings to consider urgent matters such as summary suspensions.

The CAC is tasked with studying issues related to the cannabis industry and making policy and regulatory recommendations to the CCB. This 12-member commission is chaired by myself, the CCB Executive Director, and includes eight representatives appointed by the Governor with expertise related to the cannabis industry, including the Attorney General, the Director of the Department of Public Safety (DPS), and the Executive Director of the Department of Taxation. The CAC subcommittees include Rescheduling and Descheduling, Market Participation, Public Safety and the Illicit Market. The CAC meets at my direction similar to the Gaming Policy Committee.

The three main divisions of the CCB are Licensing; Inspection and Audit, also known as Health and Safety; and Investigations and Enforcement. The Licensing Division processes and reviews license and renewal applications, as well as collects fees. They also manage cannabis agent registration card programs. There are currently about 20,000 active cards, and about 14,500 individuals work in the industry. Additionally, the Licensing Division assists the NDT in collecting cannabis-related taxes from licensees.

Our Inspection and Audit Division performs audits and inspections of cannabis facilities, tracks and monitors all inventory from seed to sale, and audits monthly and quarterly reports from licensees required by the CCB. They also evaluate all complaints made against a licensed facility, including incident reports.

Our Investigations and Enforcement Division reviews and processes transfers of interest for change of ownership requests; vets potential licensees and affiliated owners, officers and board members; and that vetting includes a full suite of background checks and financial analysis as part of a required suitability review. Additionally, the Investigations and Enforcement Division partners with local and state law enforcement regarding criminal investigations, including some enforcement on illicit market activity.

We oversee six different types of licenses. Cultivation [facilities] are licensed to grow, harvest and package cannabis, and they can sell to cannabis establishments but not to consumers. Production [facilities] are licensed to purchase cannabis; manufacture, process and package cannabis and cannabis products; and they can sell to other cannabis establishments but again, not to consumers. Retail/dispensary [facilities] are licensed to purchase cannabis and cannabis products from other cannabis establishments, and those are the ones that can sell to consumers. In addition, we oversee testing labs which are licensed to conduct laboratory tests on cannabis and cannabis products. We also do distribution licenses to transport cannabis from one cannabis establishment to another. Lastly, we oversee cannabis consumption lounges which are licensed to operate businesses for consumption of single-use or ready-to-consume cannabis products on site.

As you can see in the gray areas on [slide 9] of our presentation ([Exhibit C](#) contains copyrighted material. Original is available upon request of the Research Library.), taxable sales reports by adult-use cannabis stores and medical dispensaries in fiscal year (FY) 2023-2024 were approximately \$829 million. That is a decrease of 2 percent compared to FY 2022-2023. In FY 2023-2024, \$43.7 million was collected for the 15 percent Wholesale Cannabis Tax, and \$76.8 million was collected for the 10 percent Retail Cannabis Tax in FY 2023-2024. As with any industry, the market will dictate demand. Our goal at the CCB is to provide certainty and a fair playing field for the industry to know what is expected of them and to provide stability to withstand any economic downturns.

Distributions to the State Education Fund (SEF) were \$107.8 million. Of that, \$76.8 million came from the Retail Cannabis Tax, and \$31 million of that, my numbers are slightly off and that should actually read \$43 million, came from the Wholesale Cannabis Tax.

*Nevada Revised Statutes* (NRS) 372A.290 directs all revenue from the 10 percent Retail Cannabis Tax into the State Education Fund, formerly the Distributive School Account. The Wholesale Cannabis Tax revenue collected is transferred to the CCB and is used to support the agency's operations and the regulatory oversight of the cannabis industry in Nevada. The CCB also distributes a total of \$5 million of the revenue collected from Wholesale Cannabis Tax to local governments to carry out the provisions of NRS 678C and NRS 678D. The remaining proceeds are transferred to the SEF by the CCB, along with residuals from civil penalties, licensing and other fees collected as outlined in statute. The Department of Education is responsible for distribution from the SEF to the school districts, and those numbers were right actually.

We oversee a total of 387 medical and adult use operational licenses statewide. As you would imagine, the highest concentration of operational licenses is in Southern Nevada. There are 260 operational licenses in Clark [County], unincorporated Clark [County], Las Vegas, North Las Vegas, Henderson and Mesquite. The second largest, as you would also imagine, is in Washoe [County]. There are 62 operational licenses in Washoe [County], unincorporated Washoe [County], Reno and Sparks.

[Regarding the] breakdown of the operational license types, we have 128 cultivators, 100 producers, 8 independent testing labs, 103 medical dispensaries or retail cannabis stores, 46 distribution facilities and currently 2 operational consumption lounges.

Pursuant to NRS 678B.390 and 678B.340, the cost of an agent card is currently \$150 per category. Each card is valid for two years. Each category, including cultivation, production, distribution, dispensary, laboratory and consumption lounge, requires separate cards at \$150 each. The CCB receives an average of 1,012 agent card applications monthly, and we issue an average of 902 temporary agent cards monthly, which is a number we are quite proud of as we allow Nevadans to enter or continue to work in the cannabis industry. These are all pending state and FBI background checks; and up to this turnaround time, an applicant can expect to receive a temporary agent card to start work within 48 hours.

All the rules and regulations governing the CCB can be found on the CCB's website under the Laws and Regulations tab. Title 56, NRS 678A through

NRS 678D, as well as the Nevada Cannabis Compliance Regulations (NCCRs), can also be found here. Please note, and I will address changes from last session later, NCCRs are soon to be NACs [*Nevada Administrative Code*] and currently those are all broken down by regulation.

As mentioned on the fiscal slide, tax revenue in FY 2023-2024 was down compared with both FY 2022-2023 and FY 2021-2022. Sales revenue, as you would imagine, is also down in FY 2023-2024 compared to FY 2022-2023 and FY 2021-2022. This decline is consistent with sales trends in other states with mature cannabis markets and can be attributed, at least in part, to aftereffects of the COVID-19 pandemic. A slight downward trend is consistent with the 15 percent Wholesale Cannabis Tax and 10 percent Cannabis Retail Tax. Additionally, [because of] challenges [with] illicit markets, unregulated cultivation, production and sale of cannabis, and nationwide concerns regarding synthetic cannabis [and] cannabinoids, [a] cannabis market study contracted by the CCB estimates the illicit market size at \$242 million or about 21 percent of the total cannabis market in Nevada. You may have heard of intoxicating hemp synthetics or Delta-8 THC [tetrahydrocannabinol]. National concern is growing over these products, which are often sold in smoke shops and gas stations. Please note these are not regulated by the CCB. These are products that are over the allowable legal limit for hemp.

In 2024, we completed White Pine County licensing where one cultivation and one production license were issued. That was the second licensing round of those types of licenses in agency history. I am proud to report that they have received their final clearance to open. Additionally, cannabis consumption lounges, as mentioned before, are expected to open on a rolling basis. Two are currently open. We acquired a mobile lab in 2024. The CCB enlisted mobile labs to test edibles, plants, concentrates and infused products in the field. The results take approximately 15 minutes. It is a very efficient device. LightLabs have already been used to assist law enforcement across the State. And as noted earlier, the CCB commissioned an independent market study as required by NRS 678A.310.

The next slides of our presentation, [Exhibit C](#), review the following:

- Agency operations and efficiencies. The Governor's initiatives on economic growth and trying to create a business-friendly regulatory environment;

public safety and partnering with DPS on illicit market concerns; and government support services, [including] recruiting and retention of a talented team providing outstanding customer service, collaborating with other state agencies, including but not limited to the NDT, DPS and the State Department of Agriculture.

- Office Organization. The new supervisory positions approved by the Legislature in 2023 in the audit, inspection and investigation divisions improved efficiencies within their divisions.
- Staff Training and Improvement. In the interim, the CCB team received numerous trainings and utilized resources inside and outside the agency. We also leverage trainings from other state agencies and provided numerous trainings to licensees and industry stakeholders.
- Recruiting and Retention. We believe the CCB is a desirable place to work, creating an innovating and forward-looking agency with a current vacancy rate of only 1 percent. We are exceptionally proud of this number.
- Audit and Inspection. We are proud to report that teams completed all field work, and 100 percent of licensees were visited in 2024.
- Regulatory Updates. The Board, as dictated by the Governor's executive order, considered multiple regulation changes which were workshopped and approved by the Board in June 2024.

Bill implementations from last session include:

- Senate Bill No. 195 of the 82nd Session revamped the provisions relating to disciplinary action taken by the board, including the settlement process for any complaints. It limited civil penalties to a maximum of \$20,000 for any single violation. It also eliminated time and effort billing for our audit and inspection divisions.
- With S.B. No. 328 of the 82nd Session, the CCB is no longer exempt from the Administrative Procedures Act. The Legislative Counsel Bureau (LCB) is currently revising the Nevada Cannabis Compliance Regulations into the NAC format, as well as all regulatory changes submitted in June 2024. Senate Bill

No. 328 of the 82nd Session also updated the Board composition, the terms of office, qualifications and training of board members as well as the Executive Director appointment. The CCB welcomed two board members during my tenure thus far—one in January 2024 and another new member who started last week and successfully completed all of the training we implemented based on S.B. No. 328 of the 82nd Session.

Senate Bill No. 277 of the 82nd Session required:

- A Study on Federal Rescheduling/Descheduling. Required the CAC to provide a study and recommendations concerning the potential effects on the Nevada cannabis industry if cannabis was removed from schedule I of the Uniform Controlled Substances Act or the federal Controlled Substances Act. I am proud to report that was submitted on February 29, 2024, to the LCB.
- Dual Licensing. The CCB combined licenses for both medical and adult use, creating one fee for license renewal. Subsequently, all licenses have been combined.
- Individual Sale Amount Increases. Notices sent to industry and adjustments made to the tracking and inventory system were done.
- Excluded Felonies. This required the Board to develop and implement a process by which a person who has been convicted of an excluded felony offense may submit to the Board a petition for an exemption from those prohibitions. Nine have been submitted in total. Four were approved without conditions, three were approved with conditions, one did not respond, and one has not brought the requested documents back to the Board.
- Issuance and Renewal Fees. This decreases the maximum amount of fees the CCB is authorized to charge for the issuance or renewal of an adult-use cannabis establishment license.
- Secure Entrances. This authorizes any cannabis establishment to have more than one entrance so long as each entrance is secure.

[Regarding] legislative initiatives for this session, we have one bill, Assembly Bill (A.B.) 76, and we were fortunate enough to have that heard on



February 12, 2025, in front of Chair Brittney M. Miller and the Assembly Committee on Judiciary.

[ASSEMBLY BILL 76](#): Revises provisions relating to cannabis. (BDR 56-286)

We will continue to work [with that committee] and brought forward a substantive amendment to that bill [and will] continue to work with industry and stakeholders to get that bill in a very good place and hopefully move it forward.

That concludes my prepared remarks.

SENATOR CRUZ-CRAWFORD:

As a school principal, I appreciate all the funding we get from this. I think it is a great showing of taking something that was previously not legal to leveraging it and creating great oversight and consumer protections. My question pertains to revenue and the taking of cash instead of cards. Is there an update on that to increase revenue regarding cannabis?

VICE CHAIR DOÑATE:

If you can clarify some of the federal regulations and why certain transactions exist, that would be helpful.

MR. HUMM:

Currently, we are only cash. We've set up a process where we can accept fees, and I can have Chief Gilbert elaborate on that, through some ACH [Automated Clearing House] payments. But that is a challenge. The SAFE Banking Act, which was proposed at the federal level, made its way through one of the houses but unfortunately did not make it through the other house. It is my belief that would be a significant help to the industry nationwide, not just in Nevada, if they were to improve and update some of that ability for these licensees to take different forms of payment.

SENATOR CRUZ-CRAWFORD:

I agree, taking cards would increase our revenue which would put more in the public school pockets. Since [the SAFE Banking Act] did not pass, is there a pathway forward?

MR. HUMM:

We currently don't have any direct through path to that, but we will continue to work with industry to see if there are any potential workarounds or anything we can potentially do to streamline that process.

SENATOR CRUZ-CRAWFORD:

I know one of the concerns with cannabis was increased DWIs or DUIs. Are you tracking crime?

MR. HUMM:

That doesn't typically fall under our purview, but Chief Cronkhite may know about reports that we currently are not producing but are accessible.

KARA CRONKHITE (Chief of Health and Safety, Cannabis Compliance Board):

We are not personally tracking that information. I believe law enforcement might be doing that tracking. However, for our consumption lounges, we do require that they have policies in place to deter intoxicating driving. Some of these include no-tow policies, such as not towing when they park overnight if they need to leave their vehicle, or agreements with rideshare companies so they can use discounts or free rides from the consumption lounges. They do have some policies in place to deter that behavior. But I think it is law enforcement who would be tracking that information.

SENATOR STONE:

I would like to comment on the decreased tax revenue that you talked about. You attributed the decrease to possibly COVID smoothing out, but it seems like from fiscal year (FY) 2021-2022, looking at the 15 percent rate, revenues decreased by almost a third and \$10 million between FY 2022-2023 and FY 2023-2024. Similarly, in the 10 percent rate, we see similar reductions. My question is, you mentioned that there was about \$242 million in illicit sales which represents about 21 percent of the market. In the other years, did we see that this illicit market was lower or higher? Could the illicit market be taking a little bit more of an active role because taxes are not being paid on it and it is less expensive potentially? What is the impact of the illicit market on the decrease in revenue coming to the State?

MR. HUMM:

Specifically, I can't speak to those prior years in exact terms because this was the report that we commissioned, but I can refer specifically to that number. It is hard to pin down exactly what the illicit market is. The study we commissioned attempted to try to do that. We are aware that it is an issue, and the Governor has asked us to work very closely with the Department of Public Safety under Director George Togliatti to look into how we can potentially go after those in the illicit market. He's coming forward with a budget ask for additional staff to potentially look at that.

Some of those numbers are not necessarily attributed specifically to the illicit market. Although please don't take that as a deflection of not saying the illicit market is important, but other states have come online as well. So, I hate to say the novelty or the uniqueness of Vegas having that early adopter advantage when some of these folks can get it in their home state so the market is not as robust as it once was. Given the newness and just that people were home during COVID, there was more opportunity to consume.

SENATOR STONE:

You mentioned we have two lounges that have opened. What has been the history with the lounges as far as enforcement? Have there been a lot of issues? Obviously being intoxicated and driving coming from a lounge probably is a much larger propensity than in other venues. Can you comment on that at all?

MR. HUMM:

We have not had any reported incidents at the lounges themselves from a regulatory standpoint. I can't comment to the numbers if there's been an increase on the DUIs from that aspect. But as Chief Cronkhite mentioned, it is something that when we wrote the regulations, we wanted to make sure that it was an option to leave your car and that there were other avenues for people to get home safely. As mentioned in our mission statement, public health and safety is above all else for us.

SENATOR STEINBECK:

My question for you pertains to the illicit unregulated market. It's in the open. Deliveries are in the open, advertising is in the open. What has to happen to shut that down? I believe you mentioned you had the ability to issue civil

penalties. Are you able to do that with the illicit market as well as those you regulate?

MR. HUMM:

The illicit market is highly nuanced. There are many different aspects as you mentioned. I have held numerous round tables with members from industry to address specifically the illicit market, recognizing it as a problem. Under the direction of the Governor and working with Director Togliatti at DPS, that is going to be a focus of ours to look into that to see what we can potentially do. What we are able to do—and there's one fix as well that we have in A.B. 76 that would allow us effectively to go after basically fines and taxes of those that are participating in the illicit market. Chief Staley's team has been out into the field to some of the areas outside of our jurisdiction because we currently do not have jurisdiction over the illicit market. To anything unlicensed, we are able to go out with local licensing to get these products off the shelves. That probably does not address your direct question of the illicit market, but like I said, it is very nuanced and multipronged. We will look into that with Director Togliatti for some guidance on that and how we can partner with him.

SENATOR STEINBECK:

It is definitely out of control and [a danger] to the public health for all the reasons stated, including the fact that it doesn't have the same testing and can get laced with so many different products as well. It is extremely dangerous, and we are seeing the effects.

To follow up on Senator Cruz-Crawford's question, when it comes to driving under the influence, which certainly has been on the rise, has there been any efforts—and I don't know how effective they would be—to have the distribution centers at least educating people that although consumption is legal, there seems to be an attitude that because it's legal, it's permissible to consume and drive afterwards. The problem is not the people leaving the consumption lounges. It is everywhere else.

MR. HUMM:

This is not something that we have not already discussed multiple times working with industry. One thing we're looking into is doing PSAs effectively.

I can't emphasize enough, if you are going to purchase cannabis, please do it through from one of our licensees. It is tested, it is vetted. We know that it is as safe as we can possibly make it. The follow-up to that then is also working on a PSA campaign. I have asked our communications director to look into that. So that is something that we are certainly going to do. I know it is front of mind for industry as well and also something we very much want to pursue. We do not have a very large budget for it, but it is certainly something we will try to do as much as we possibly can within those confines and hopefully partner with industry as well to do those types of PSAs, both for purchase safety and driving DWI.

VICE CHAIR DOÑATE:

Some of the concerns I have heard from industry folks in my district are the overtaxation perhaps of the industry, whether that's true or not. Obviously, we have the Department of Taxation coming into this. Does CCB have the broad authority in terms of individual purchasing limits? Is that under your purview? And if so, has that been explored in terms of maybe increasing the limits so tourists can purchase more from approved sites?

MR. HUMM:

Limits were increased last session, and then in A.B. 76, we are aiming to increase those limits as well.

VICE CHAIR DOÑATE:

Ideally, that would allow us to grow our revenue at some point. Pivoting toward the consumption lounges, I saw in your report about 25 percent are from the social equity applications or individuals that would perhaps be more diverse in terms of being the investors of opening these centers because they may not have the same ability to access capital. I want to come back to lessons learned on how we can increase those numbers because oftentimes the whole reason why we added that was because there was an effort by criminalizing these individuals back before it was legalized. Now that it has been legalized, they should have the opportunity to be the investors of the system under which they were criminalized with consumption lounges, so I am going to come back to lessons learned from that. But with consumption lounges, my understanding is if I wanted a consumption lounge, I have to go through the application process of proving that I have enough capital to open up a standalone facility. Let's do a different scenario. If I have a restaurant and want to offer a THC-infused dish as

part of my menu, I am not a consumption lounge nor do I want to be a consumption lounge. Are there abilities for me as a restaurant owner to offer that under the current statute or purview [if] right now I wanted to offer that as a potential enhancement to the delivery of the business?

MS. CRONKHITE:

Currently, the Southern Nevada Health District, Clark County Health Department and the Department of Health and Human Services (DHHS) consider THC to be an adulterant. Per the FDA, it is not an allowed ingredient in food. Therefore, the local health departments would not allow that. However, if a consumption lounge with a license through us would like to offer restaurant-style service with infused food items, they could do so by offering infused and noninfused items and have that same business model.

VICE CHAIR DOÑATE:

Just to clarify, if we wanted to allow restaurants to offer this, to increase the amount of the pie we're getting from cannabis, there is an opportunity to do so, but it would have to be in coordination with the health district?

MS. CRONKHITE:

I can't speak on behalf of the health departments. I would assume they would all have their own rules; but because they receive federal funding and hold to FDA standards, I would assume that is not something they'd be interested in at this time.

VICE CHAIR DOÑATE:

What about cannabis-based businesses that are not consumption lounges. There are different modes of how you consume or apply cannabis or the byproducts of it. An example would be a business like a spa. It is not consuming the cannabis but could apply it. If I wanted to start a business that did that, do you have the authority to license me, or would that be a new mode of business that we should consider?

MS. CRONKHITE:

That is something that was considered for the consumption lounge application process. It is something they could do through a licensed consumption lounge like a spa or massage parlor where they apply topical cannabis on site for the

patient or consumer. Even though it is not edible or inhalation consumption, it is considered topical consumption.

VICE CHAIR DOÑATE:

That is already permitted under the cannabis consumption legislation we already passed?

Ms. CRONKHITE:

Correct, that would be permitted.

VICE CHAIR DOÑATE:

What about licensing for music festivals or special events? Is that a trend that is happening? How can we equip some of the resources or events that are bringing more visitors to come to take application of such? Is that something you are working on?

Ms. CRONKHITE:

Currently, events are not permitted through statute. However, if a licensed consumption lounge had a property where they wanted to have a concert or some sort of event and allow the consumption on-site at that facility, that is something we also considered during our regulation drafting for consumption lounges. They would be able to propose a plan that would include some type of event.

VICE CHAIR DOÑATE:

To be clear, if I wanted to host an event at the speedway, for example, I would be able to do so under the provisions of the consumption lounge legislation that was passed?

Ms. CRONKHITE:

You would only be allowed to do so if the speedway was licensed as a consumption lounge. Currently, there are no offsite events that are permitted. That legislation had been proposed last session I believe, but it did not go through.

VICE CHAIR DOÑATE:

I would like to talk offline about how we can find a resolution to that. Let's go now toward the illicit market. Your slide mentions the unregulated cultivation,

production and sale of cannabis. It sounds like there are different parts of the supply chain where you are seeing an increase. Where are you seeing the largest increase of complaints? Is it in the cultivation stage? Is it in the sale stage? Where in the black market are you seeing the biggest complaints that are being referred to you?

MR. HUMM:

You would probably be better served by obtaining an answer from the local jurisdictions that oversee that. Our complaints typically involve licensees.

MS. CRONKHITE:

We have also heard complaints of delivery to The Strip properties, to the hotels and casinos where licensees are not able to deliver. I feel like that is a big competitor. Additionally, high potency CBD products that have THC in them, hemp-derived products that are extremely potent, are also readily available online and in smoke shops and other types of facilities around town.

VICE CHAIR DOÑATE:

Pivoting toward synthetic cannabinoids, I was looking at page 23 of the Nevada Cannabis Compliance Board Biennial Report 2025 ([Exhibit D](#) contains copyrighted material. Original is available upon request of the Research Library.). You mentioned the CCB does not have the authority to go after these types of products, so the question is, who does have the regulatory authority to monitor and keep these in compliance? Is this under the purview of DHHS or the local health districts to monitor? Is this a regulatory authority you would like to have because you are working with these individuals? If you could, provide us with an idea of what we should look at this session.

MR. HUMM:

We are not here to ask for additional regulatory authority but are happy to contemplate any of that, especially if the Legislators want to bring that forward. This is multipronged, and a lot of people are involved. But given that it is a crop and then turned in, it goes from the State Department of Agriculture to DHHS and then to us but only as the regulatory body over Delta-9 THC that you find in our dispensaries.



MS. CRONKHITE:

As the plant is growing, that falls under the State Department of Agriculture. When it is truly a hemp plant, they would regulate that. They do issue hemp handler permits, and those would be the people who process the hemp and turn it into different products, but they do not regulate the products. Anything that is a consumable item, I believe, would fall under DHHS for regulation. If it does go over the legal limit of 0.3 percent Delta-9 THC, then it is considered cannabis at that point. We would then have some authority over it. We do work very closely with the local business licensing divisions because they oversee the business licenses. They have authority to regulate those properties, and we assist them by physically going into the facilities with them and tell them which products under state law are and are not legal.

VICE CHAIR DOÑATE:

If there was a product that we saw that looks like it is targeting children or mimicking fruit loops or whatever product that is, it would be under your purview; as long as it meets the definition of Delta or THC, it would be under your purview to stop and pull those from the shelves and to penalize the licensee? It's that part of the regulation I'm trying to understand.

MR. HUMM:

Those 387 licensees that I mentioned on the slide are all the licensees we have purview over. When we mention licensing divisions from the local authorities, that's us partnering with them for them to go take the intoxicating products off the shelves. If there's a report of fruit loops or some sort of product that is targeting children from one of our dispensaries, then we work with the dispensary to get that off the shelf or repackaged based on regulation and on statute. When we say local licensing, that is with the local licensing authority.

VICE CHAIR DOÑATE:

So if I was a smoke shop that had this product, but I am not licensed under the purview of the CCB because I do not sell cannabis, then it sounds like you would work with the local law enforcement authority to pull that off the shelf.

MR. HUMM:

Yes, that is accurate.

VICE CHAIR DOÑATE:

We will conclude the Cannabis Control Board presentation and proceed to the Nevada Department of Taxation presentation. The NDT will provide more context to some of our questions.

SHELLIE HUGHES (Executive Director, Nevada Department of Taxation):

I have with me today Yvonne Nevarez-Goodson, Chief Deputy Director, and in the south, Erica Scott, Economist III, for NDT. We will be presenting an overview of cannabis taxes ([Exhibit E](#)). Director Humm touched on some of this information in his presentation, but I will briefly go over it again.

*Nevada Revised Statutes* [372A.290], subsections 1 and 2, establishes an excise tax at the rate of 15 percent of the fair market value at wholesale of cannabis. The tax is the obligation of the cultivation facility and is levied on the first transfer of cannabis from the cultivation facility. The cultivation excise tax is due monthly on the last day of the month after the period ends. The Wholesale Cannabis Tax revenue is distributed to the CCB.

I'd like to provide you with some history regarding the cannabis tax. The Medical Cannabis Tax was established by the Legislature during the Seventy-seventh Legislative Session and became effective April 1, 2014. The tax rate at the time was 2 percent and was levied on the transfer by a medical cannabis cultivator, product manufacturer and dispensary. Seventy-five percent of that tax revenue was distributed to the State Distributive School Account (SDSA), and 25 percent was distributed to the Division of Public and Behavioral Health to pay the cost to carry out the provisions of NRS 453A.

In 2017, the Medical Marijuana Tax was eliminated, and the rate was changed from 2 percent to 15 percent and was imposed on sales or transfers of cannabis from cultivation facilities. At this time, the NDT regulated cannabis, and the tax revenue funded the cost of the NDT and local governments with any remaining revenue being distributed to the SDSA. In 2019, the CCB was created with A.B. No. 533 of the 80th Session, and CCB took over the regulation of cannabis. As a result, the distribution of the Wholesale Cannabis Tax revenue changed from being distributed to the NDT to being distributed to CCB. In 2023, the Wholesale Cannabis Tax was revised to be levied on the first initial wholesale sale at 15 percent of either the fair market value at wholesale for sales to an affiliate or the contracted sales price for sales to a nonaffiliate.

*Nevada Revised Statutes 372A.290*, subsection 3, establishes an excise tax on the retail sale of cannabis and cannabis products by a retail cannabis store, retail cannabis consumption lounge and an independent cannabis consumption lounge at the rate of 10 percent of the sales price. Cannabis or cannabis products sold to a patient cardholder are not subject to the 10 percent Retail Cannabis Tax. The tax is the obligation of the adult-use retail store, retail cannabis consumption lounge and the independent cannabis consumption lounge but may be recovered from the purchaser. Retail Cannabis Taxes are due monthly on the last day of the month after the period ends. The Retail Cannabis Tax revenue is distributed to the State Education Fund.

The Retail Cannabis Tax was established during the Seventy-ninth Legislative Session. In 2019, the Retail Cannabis Tax revenue was required to be distributed to the SDSA. In 2021, the Retail Cannabis Tax revenue was required to be distributed to the newly created SEF.

Sales tax is also due on retail sales of cannabis. Retail cannabis stores, retail cannabis consumption lounges and independent cannabis consumption lounges must also file a monthly sales tax return that includes taxable sales for adult-use cannabis and cannabis products and taxable sales to patient cardholders in addition to their cannabis excise tax return.

As previously mentioned, NRS 372A.290, subsections 1 through 3, governed the imposition of the cannabis excise tax and the tax rate. In fiscal year (FY) 2023-2024, the Wholesale Cannabis Tax revenue received by the NDT was \$43,737,147. In FY 2023-2024, the Retail Cannabis Tax revenue received by the NDT was \$76,800,162. In FY 2023-2024, the taxable sales reported by both adult-use retail stores and medical dispensaries was \$829,225,194.

*Nevada Revised Statutes 678A.480*, subsection 1, provides authority to the NDT to conduct tax audits of cannabis licensees. A licensee shall make available to the NDT all applicable books, accounts, claims, reports, vouchers and other records requested by the NDT in connection with an audit.

*Nevada Revised Statutes 678A.480*, subsection 5, requires the NDT, along with the CCB, to submit to the director of the Legislative Counsel Bureau on or before April 1 of each year a report regarding the audits the agencies conducted

the previous calendar year. Specifically, the report includes the number of audits performed, a summary of the finding of the audits and the cost of each audit.

*Nevada Revised Statutes* 372A.290, subsections 4 through 7, govern the distribution of cannabis tax revenue. In FY 2023-2024, the NDT distributed \$43,737,147 to the CCB from the Wholesale Cannabis Tax. From that amount, CCB deducts its cost to support its regulatory oversight of the cannabis industry. The CCB then distributes \$5 million to local governments, and the remaining amount is distributed to the SEF. In FY 2023-2024, CCB distributed \$31,079,460 from this amount to the SEF. The NDT also distributed Retail Cannabis Tax revenue to the SEF in the amount of \$76,800,162.

I will now turn the presentation over to Chief Deputy Nevarez-Goodson.

YVONNE NEVAREZ-GOODSON (Chief Deputy Director, Nevada Department of Taxation):

I would like to present a few slides ([Exhibit E](#)) regarding the role of the NDT in cannabis license renewals and transfers of interest. I will also provide an overview of [Senate Bill \(S.B.\) 41](#), which will require cannabis tax permits. The bill will be presented to this committee later in the legislative session.

**[SENATE BILL 41](#)**: Revises provisions relating to the taxation of cannabis establishments. (BDR 32-284)

Cannabis license renewals are governed by the CCB pursuant to NRS 678B which calls for annual renewals of these licenses. Moreover, the CCB Regulation 5.095 governs renewals and states that the failure of a licensee to comply with the provisions of NRS 372A which governs cannabis taxes may result in denial of a renewal. Regarding timing, if a licensee has not renewed a license by the expiration date, the licensee must cease operations and has 90 days to renew the license or it is deemed to have been voluntarily surrendered.

By way of summary, the CCB has existing regulations governing disciplinary actions that may impact licensees, including renewals. The CCB is currently undertaking efforts to adopt certain changes to these regulations, including those that impact duties related to tax obligations with the NDT. Specifically, under existing CCB regulations, a licensee must operate with all required

permits, pay taxes to the NDT and file monthly tax and sales reports or payments to the NDT. Failure to satisfy these tax obligations results in various categories of violations and resulting consequences, including potential suspension and revocation of a license. These violations would similarly impact renewals. The CCB is proposing to amend each of these violations related to tax issues and create a new, less serious violation for failing to timely pay taxes or file returns in which penalties would decrease from civil penalties and potential suspension or revocation to written warnings, significantly decreasing civil penalties and minor suspensions.

Under existing CCB Regulation 4.035, a person may become ineligible to receive, renew or maintain a license to operate a cannabis establishment for operating without all required permits, intentionally failing to pay taxes to the NDT or failing to properly collect taxes. Any of these violations are categorized as a Category I violation with significant civil penalties up to \$90,000, 30-day suspensions and ultimately revocations.

Under proposed revisions to this regulation, the violation for operating without a required permit would move from a Category II violation and also include any tax permits. Such violation has decreased penalties from a Category I violation which reduces civil penalties to a maximum of \$20,000 with a sliding scale for suspension or revocation depending on the number of violations within three years. Notably, this proposed revision eliminates from a violation as a Category I or Category II violation the intentional failure to pay taxes and failure to properly collect taxes. As will be noted later, the violations being eliminated under these categories related to intentional failure to pay taxes or properly collect taxes will be categorized together for failing to timely pay taxes or file returns, which will be a much-reduced Category VII violation.

Under existing CCB Regulation 4.050, a licensee may be deemed to be creating a threat to public safety and welfare, including unintentionally failing to pay taxes to the NDT resulting in a Category III violation with a sliding scale of civil penalties from \$10,000 to \$90,000 and a sliding scale for the number of days of suspension from 10 to 60 days and revocation for five or more violations in 3 years.

Under the proposed revisions to this regulation, a Category III violation would become a Category IV violation resulting in less severe penalties with a sliding

scale of civil penalties from \$5,000 to \$20,000 instead of the \$10,000 to \$90,000 and lesser suspension days down to 10 from 20 days. However, the unintentional failure to pay taxes will be removed from a Category III or Category IV violation altogether under these proposed changes. And again, as noted below, the violation will be categorized into the more streamlined category for failing to pay timely or file tax returns, which will be that Category VII violation.

Under existing CCB Regulation 4.060, a licensee may be deemed to be engaging in conduct inconsistent with the orderly regulation, sale or production of cannabis, including failing to submit monthly tax or sales reports or payments resulting in a Category V violation with a warning all the way to a sliding scale of civil penalties from \$2,500 to \$40,000 and a sliding scale number of days of suspension from 3 to 20 days.

Under the proposed revisions to this regulation, a Category V violation would become a Category VI violation resulting in less severe penalties with the sliding scale of civil penalties between \$1,500 and \$10,000 instead of the \$2,500 to \$40,000 and the lesser suspension days down to no suspensions or a 20-day suspension with the Category VI violation or more within three years. However, the failure to submit monthly tax reports or payments will be removed from this Category V violation or Category VI violation altogether and will be categorized with the streamlined category under a Category VII with much less of a violation.

Any prior regulations that are resulting in various categories of violations for the differing tax obligations with the NDT that would have resulted in higher category violations from CCB are proposed to be amended and treated as a single streamlined category for failing to timely pay taxes or file returns as a Category VII violation. Under this new Category VII violation, such failure to timely pay taxes or file returns could result in much less severe violations to a licensee, including at least two formal written warnings followed by a sliding scale of civil penalties for the third to sixth violations between \$1,500 and \$10,000 with no suspension or \$20,000 and a ten-day suspension for a seventh or subsequent violation. Under this new Category VII violation that is proposed, failure to pay taxes would not result in the revocation of a license.

On the next slide, I would like to touch briefly on what is becoming more commonplace activity for cannabis licensees which is the transfer of interest of these licenses. *Nevada Revised Statutes* 678B.380 provides that licenses are not transferable except as provided by regulation of the CCB. The CCB Regulation 5.110 and Regulation 5.112 provide requirements for transferring all or a portion of ownership interest in a cannabis business. The NDT becomes involved in these transfers of interest where there is an outstanding tax liability by a person or entity seeking to transfer its license, which most often occurs around the time of renewal. As indicated above, for a license to be renewed, the licensee must be timely on their tax obligations.

In accordance therewith, if a person or entity seeks a transfer, the NDT may enter into a conditional transfer of interest with the licensee and the CCB to ensure the payment of all outstanding excise taxes through the sale or transfer of proceeds, including requiring proceeds from any sale or transfer to be put into escrow for the NDT. The NDT reserves the right to pursue responsible persons and successor liability on outstanding tax liabilities through these transfers for nonpayment through these agreements. It is in the interest of the licensee to pay the outstanding tax obligation or settle the debt to allow the renewal of the license to occur to the new owner.

Turning now to an overview of S.B. 41, which will be presented to the committee at a future date, I wanted to provide a highlight of the intention of this bill. The bill would require sellers of cannabis or cannabis products to obtain a cannabis tax permit from the NDT in addition to a seller's permit as applicable.

As provided earlier in my presentation regarding the renewals of licenses, a licensee must maintain all required permits for renewal of the license. A cannabis business must renew its license on an annual basis with the CCB and to qualify for renewal of the license must be current with all tax obligations with the NDT, including filing returns and remitting payments. Business entities that enter into a payment plan under certain circumstances also may pay outstanding tax liabilities.

At times, cannabis businesses fail to submit the required tax returns and pay tax liability owed to the State. Alternatively, cannabis businesses will often enter into a payment plan with the NDT in order to renew their licenses with the CCB and default on the payment plan immediately thereafter. Upon renewal of the

CCB license, the business is allowed to operate for another year and may continue to accumulate huge debt to the State. The NDT has no ability to stop the tax liability from continuing to accrue for another year after the CCB license has been renewed. Many cannabis businesses have ended up going into receivership, and the State loses out on the revenue. By requiring cannabis businesses to obtain a cannabis tax permit from the NDT to operate in Nevada, the NDT can have a role in protecting the State's revenue outside of the annual renewal process.

By requiring cannabis businesses to obtain a cannabis tax permit from the NDT to operate in Nevada, the NDT can initiate a hearing, suspension or revocation of the permit with an administrative law judge or a hearing officer when a business becomes noncompliant with its tax obligations. The business entity may appeal an adverse decision of a hearing officer to the Nevada Tax Commission (NTC), and any adverse decision of the NTC is subject to judicial review. If the hearing decision or decision of the NTC supports revocation or suspension, this bill would provide for the automatic suspension of the cannabis license by the CCB to prevent that business from continuing to operate and establishing more debt to the State.

Once the business comes into compliance with the NDT, the CCB would lift the suspension. The business would pay the full tax liability or enter into a payment plan for the full tax liability before it may petition for judicial review. This requirement is consistent with petitions for judicial review of any other NTC decision pursuant to NRS 360.395. The process would be similar to the state sales tax permit process; however, the NDT would not charge a fee for this cannabis tax permit.

I would now like to turn the presentation over to Erica Scott in Southern Nevada.

ERICA SCOTT (Economist III, Nevada Department of Taxation):

I will begin with slide 17, [Exhibit E](#), by discussing fair market value. Fair market value is the median sales price for wholesale sales between cannabis cultivation facilities and cannabis establishments that are not affiliates, often referred to as arm's-length transactions. The fair market value calculation was prepared by the NDT semiannually in the past, but beginning January 1, 2023, this process was changed to a quarterly calculation. In addition, the NDT has implemented a



process to post the fair market value memorandum around the middle of the month prior to the effective date for industry to be able to view. The fair market value is posted to the NDT's website at [tax.nv.gov](https://tax.nv.gov) or [<https://tax.nv.gov/tax-types/cannabis-tax/>](https://tax.nv.gov/tax-types/cannabis-tax/).

The data used to calculate fair market value is obtained directly from the state seed-to-sale tracking system called Metrc. These are transactions reported in Metrc directly by cannabis industry. In the past, the NDT used the Wholesale Transfer-Initial (1st) report in Metrc which details all Initial (1st) wholesale sales of cannabis as input by industry with some methodology to find the nonaffiliate transactions. But beginning January 1, 2024, upon passage of A.B. No. 430 of the 82nd Session, the Non-affiliate Wholesale Transfer Initial (1st) Metrc report was created and used. Each quarter, the fair market value, along with the summary statistics, is published on the NDT's website. However, it is possible to request additional information regarding fair market value calculations and methodology by submitting a public records request form found on the NDT's website, keeping in mind no request which includes identifying taxpayer information would be granted pursuant to NRS 360.255.

I'd like to review the NDT's methodology for calculating the fair market value by steps. The first step is that the data is pulled directly from Metrc by way of the Non-affiliate Wholesale Initial Transfer (1st) report as stated earlier. The report dates used are for the prior completed three months of business transactions. For example, the January 1, 2025, calculation was completed in December by the NDT and consisted of transactions from September 1, 2024, through November 30, 2024.

The second step is the data cleaning in which any transaction that was not in an accepted status by the purchaser would be eliminated from the dataset. Additionally, all packages with the status of rejected or returned or still awaiting acceptance showing as a ship status for longer than three business days are all eliminated from the dataset. Only those transactions with an accepted status are used. Also eliminated from the dataset are transactions of samples; testers; displays, all typically called "penny transactions"; any R&D [research and development] transactions; tribal; and any known affiliate transactions that by error are showing up in this transfer type. Essentially, any transaction that would not be considered a typical arm's-length transaction is going to be eliminated from the dataset.

In step three, we separate out the categories. There are eight fair market value cannabis categories that the Wholesale Cannabis Tax is due upon. That would be flower, trim, small bud, whole wet plants, immature plants, pre-rolls, flower approved for extraction and trim approved for extraction.

The next step is to standardize the price by weight. For each cannabis category, we divide the ship dollar amount by the weight shipped for all weight-based categories. Since the immature plant category is in units, we divide the ship dollar amount by the count of plants shipped. Flower, trim, small bud, wet whole plants, pre-rolls, flower approved for extraction and trim approved for extraction are all valued by the pound while only immature plants are valued by the individual unit.

Step five is to remove any remaining outliers. To do this, we remove any records with a standardized price less than 15 percent of the previous fair market value or more than 500 percent. Sales made for less than 15 percent of the previous fair market value are sold for less than the actual tax that would have been due on the product and as such would not be considered an arm's-length transaction. Sales made for more than 500 percent of the fair market value are likely special cases or keying errors that should not impact the fair market value determination.

We then run the descriptive statistics for each cannabis category using the data analysis in the analysis tool pack in Excel. We run the descriptive statistics tool on the standardization price field to include the summary statistics.

And finally, we determine the new fair market value as it is determined to be the median sales price from the summary statistics after all the prior adjustments of the data have been made. The NDT prepares memorandum and posts it to the website. The goal of the NDT is to publish the new fair market value rates to the website by midmonth prior to the effective date in an attempt to give as much advance notice as possible to cannabis industry of the current upcoming fair market value price structure.

We conclude this presentation by providing the NDT's contact information, along with our helpful website where documents can be found at [tax.nv.gov](http://tax.nv.gov).

SENATOR STONE:

What is the incidence of Category I or Category II violations in the past year?

Ms. NEVAREZ-GOODSON:

I might defer to the Cannabis Compliance Board as they would be tracking the number of violations for any licensee.

MR. HUMM:

I do not have those numbers in front of me, but we can get them for you.

VICE CHAIR DOÑATE:

Are we seeing an increase in tax violations of folks not filing or not being aware ... . We spent a large portion of today talking about the illicit black market. Is the NDT also seeing that on the receiving end?

Ms. HUGHES:

The NDT does not have any authority for illicit sales. We do not have any authority to collect excise tax. I know you have a bill coming before you in regard to this and Director Humm may be able to add a little bit to it, but I think that language will include the ability for us to be able to impose tax on those illicit sales.

MR. HUMM:

I can't remember the way we have couched it, if it is a tax or a penalty, but we included that in our updated regulations. Once those get through the Legislative Commission, and then if our bill gets passed, the LCB recommended that we ask for that authority because we do not currently have that authority, so that is in our bill.

VICE CHAIR DOÑATE:

We talked about the decline in revenue from tax collections. Do you have any comments in addition to what was presented earlier?

Ms. HUGHES:

Director Humm did a great job explaining the study they conducted. It went into detail about the reduced [unintelligible testimony] that the State could look at and one of them, I think, was taxing illicit sales.

SENATOR STEINBECK:

If we were to, through legislation, give you additional authority or additional purview over the illicit markets, would you have the staff for enforcement?

MR. HUMM:

I believe we would specific to what we just mentioned. We have the ability to hire a few additional POST officers right now; but then additionally, specific to what Director Togliatti would do, that would be a different kind of classification. This would be more specific to collecting fines or effectively taxes on the illicit market. I believe we would have that staff currently, but Director Togliatti would need additional staff.

SENATOR STEINBECK:

Those fines or taxes that you would collect, would they be distributed in the same manner as the rest of the revenue?

MR. HUMM:

That is correct. It would go into our fund and then anything additional would be distributed to the SEF.

VICE CHAIR DOÑATE:

Knowing the bill is in the process, do you have any projections yet as to what you could capture? Have you done any preliminary adjustments as to what you could potentially pull in if you were given that authority?

MS. HUGHES:

I'm not sure if we have that information. I could look to our economist. I don't know if she has had an opportunity to look into that.

VICE CHAIR DOÑATE:

While she's pulling it up, I am assuming that the challenges we are facing your colleagues in other states that have legalized this are also facing similar challenges. That is probably why you are bringing forth some of these changes because we are one of the early adopters. Is there any preliminary data that you have pulled or you could model for us?

Ms. SCOTT:

I don't have any hard figures at this time. I know that trying to bill the illicit market creates some doubt as to collectability on the other end of that so it gets a little tricky. From the portions of the illicit market that we think have the transactions that are going on, we could come up with estimates as far as what could be billed, although on collections and resulting revenue, I don't have statistics on that.

VICE CHAIR DOÑATE:

I think the question was do we know the magnitude of the illicit market, and if we were to take a finite share of it, what does that look like? Have you seen the data points or what you presume to be the data points of what the illicit market looks like based on the complaints you are receiving? And if you were able to get even a slice of that, what it would look like; that is why I was asking more so about the authority to go after those individuals and so forth.

Ms. SCOTT:

The NDT does not have any illicit market statistics on that, but the CCB market study showed a trending downward of the illicit market figures.

MR. HUMM:

I would just say we would rely on the market study for that. We would have to look to see if it was a one-to-one. But again, to Director Hughes's point, collectability would be a challenge. I think we have the staff to certainly look at that, but I do not know if we issue a citation, if it is going to spur anyone in the illicit market to pay that citation.

SENATOR CRUZ-CRAWFORD:

Do you have programs in place to help the illicit market move into the legal market so that when they are fined, there's a pathway or mentorship or counselor to get them into compliance?

MR. HUMM:

We have discussed the legacy to legal as the way that is couched. Currently, it's open to licensees if they would like to contract with people. We review those management services agreements, but there's no direct through path. We do not have any licensing rounds open for anyone to come into that. The pathway would be through the market as mentioned in S.B. No. 277 of the

82nd Session. We can get people agent cards so they can work in the industry outside of those excluded felonies after board approval, but no specific licenses are available.

SENATOR STEINBECK:

If fines or fees are not paid, is there a criminal penalty?

MR. HUMM:

Let me check with our Deputy Attorney Generals (DAGs), to see what the recourse would be.

VICE CHAIR DOÑATE:

In other industries, not in cannabis-related industries, if I did not pay my taxes as a business owner, say if I was a smoke shop and selling cigarettes, are there criminal, not civil, penalties if I fail to pay my taxes on time? Are there other sectors, not cannabis, where there is a case study for that to be made?

Ms. HUGHES:

The NDT regulates both tobacco and liquor. For our tobacco licensees, if they do not pay their tax obligations, they are not able to renew their license the following year, and their licenses are renewed yearly. It is similar to how we are with the CCB. For illicit sales, we do go in and seize what we consider contraband because the tax is not paid on those tobacco products, and they are not allowed to operate in Nevada. They are given fines and penalties, and our DAGs would represent us in the criminal matter.

VICE CHAIR DOÑATE:

But at that point, you would work with the local jurisdiction and local law enforcement to shut them down for failure to obtain proper business licensing mechanisms?

Ms. HUGHES:

That is correct.

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VICE CHAIR DOÑATE:

Seeing no public comment, the meeting is adjourned at 2:25 p.m.

RESPECTFULLY SUBMITTED:

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Connie Summers,  
Committee Secretary

APPROVED BY:

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Senator Fabian Doñate, Vice Chair

DATE: \_\_\_\_\_

<b>EXHIBIT SUMMARY</b>				
<b>Bill</b>	<b>Exhibit Letter</b>	<b>Introduced on Minute Report Page No.</b>	<b>Witness / Entity</b>	<b>Description</b>
	A	1		Agenda
	B	1		Attendance Roster
	C	4	James Humm / Cannabis Compliance Board	Presentation: Agency Overview
	D	16	James Humm / Cannabis Compliance Board	Biennial Report 2025
	E	18	Shellie Hughes / Department of Taxation	Presentation: Cannabis Tax Overview