

SENATE BILL NO. 235—SENATOR D. HARRIS

MARCH 15, 2021

Referred to Committee on Revenue and
Economic Development

SUMMARY—Revises provisions relating to cannabis.
(BDR 56-136)

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

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

AN ACT relating to cannabis; revising provisions relating to limits on the number of adult-use cannabis establishment licenses and medical cannabis establishment licenses that are authorized to be issued by the Cannabis Compliance Board within a county; authorizing an adult-use cannabis retail store to acquire and sell cannabis for the medical use of cannabis and medical cannabis products under certain circumstances; revising provisions relating to the excise tax on cannabis; establishing a process to allow certain holders of medical cannabis establishment licenses for medical cannabis dispensaries to convert the license to an adult-use cannabis establishment license for an adult-use cannabis retail store under certain circumstances; providing for a fee for such a conversion; and providing other matters properly relating thereto.

Legislative Counsel's Digest:

1 Existing law establishes different requirements for the sales of cannabis and
2 cannabis products depending upon whether the seller is an adult-use cannabis retail
3 store or a medical cannabis dispensary. (Chapters 678C and 678D of NRS) For
4 adult-use cannabis retail stores, existing law: (1) sets limits on the maximum THC
5 level of adult-use cannabis products that are authorized to be sold in a single
6 package; and (2) imposes an excise tax on each retail sale of cannabis or cannabis
7 products by an adult-use cannabis retail store at the rate of 10 percent of the sales
8 price of the cannabis or cannabis products. (NRS 372A.290, 678D.420) Medical
9 cannabis products sold by a medical cannabis dispensary are not subject to the
10 limits on the maximum THC levels for a single package applicable to adult-use
11 cannabis products and sales of cannabis and cannabis products by a medical



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cannabis dispensary are not subject to the excise tax imposed on sales of an adult-use cannabis retail store. However, under existing law, medical cannabis dispensaries are generally prohibited from conducting sales of cannabis or cannabis products to a person who does not hold a registry identification card or a letter of approval. (NRS 678C.410)

Under existing law, a person who holds both an adult-use cannabis establishment license and a medical cannabis establishment license of the same type is a "dual licensee" and is generally authorized to combine the operations of the adult-use cannabis establishment and the medical cannabis establishment, subject to various requirements. (NRS 678A.145, 678C.410, 678C.430, 678D.430)

Section 3 of this bill requires an adult-use cannabis retail store that is not a dual licensee that wishes to acquire and sell cannabis for the medical use of cannabis and medical cannabis products to submit a request to the Cannabis Compliance Board. If the Board approves the request, **section 3** deems the adult-use cannabis retail store to be: (1) a dual licensee and authorizes the retail store to engage in the acquisition and sale of cannabis for the medical use of cannabis and medical cannabis products to the same extent as if the retail store held a medical cannabis establishment license for a medical cannabis dispensary; and (2) subject to the same requirements imposed on a dual licensee. **Section 4** of this bill exempts from the excise tax imposed on retail sales of cannabis or cannabis products by an adult-use cannabis retail store any sale of cannabis for the medical use of cannabis or a medical cannabis product to the holder of a registry identification card or letter of approval by an adult-use cannabis retail store deemed to be a dual licensee pursuant to **section 3**.

Existing law provides for the issuance of adult-use cannabis establishment licenses and medical cannabis establishment licenses by the Board. (Chapter 678B of NRS) **Section 5** of this bill authorizes a person who holds a medical cannabis establishment license for a medical cannabis dispensary on January 1, 2022, to, on or before June 1, 2022, submit an application to the Board to convert the license to an adult-use cannabis establishment license for an adult-use cannabis retail store. **Section 5** requires the Board to adopt regulations governing such a conversion, including, without limitation, the establishment of a fee for conversion. If the Board approves an application under **section 5**, the person is required to surrender the medical cannabis establishment license for a medical cannabis dispensary and is issued an adult-use cannabis establishment license for an adult-use cannabis retail store.

Existing law imposes limits on the number of medical cannabis establishment licenses for medical cannabis dispensaries that the Board is authorized to issue within a county. (NRS 678B.220) **Section 1** of this bill provides that an adult-use cannabis establishment license for an adult-use cannabis retail store issued pursuant to **section 5** is deemed to be a medical cannabis establishment license for a medical cannabis dispensary for the purposes of those provisions. Similarly, **section 2** of this bill provides that the provisions of existing law imposing a limit on the number of adult-use cannabis establishment licenses for adult-use cannabis retail stores that may be issued by the Board within a county do not apply to an adult-use cannabis establishment license for an adult-use cannabis retail store issued pursuant to **section 5**. (NRS 678B.260)



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

Section 1. NRS 678B.220 is hereby amended to read as follows:

678B.220 1. Except as otherwise provided in this section and NRS 678B.230, the Board shall issue medical cannabis establishment licenses for medical cannabis dispensaries in the following quantities for applicants who qualify pursuant to NRS 678B.210:

(a) In a county whose population is 700,000 or more, 40 licenses;

(b) In a county whose population is 100,000 or more but less than 700,000, 10 licenses;

(c) In a county whose population is 55,000 or more but less than 100,000, two licenses;

(d) In each other county, one license; and

(e) For each incorporated city in a county whose population is less than 100,000, one license.

2. The Board:

(a) Shall not issue medical cannabis establishment licenses for medical cannabis dispensaries in such a quantity as to cause the existence within the applicable county of more than one medical cannabis dispensary for every 10 pharmacies that have been licensed in the county pursuant to chapter 639 of NRS. The Board may issue medical cannabis establishment licenses for medical cannabis dispensaries in excess of the ratio otherwise allowed pursuant to this paragraph if doing so is necessary to ensure that the Board issues at least one medical cannabis establishment license in each county of this State and, pursuant to paragraph (e) of subsection 1, each incorporated city of this State in which the Board has approved an application for such an establishment to operate.

(b) Shall, for any county for which no applicants qualify pursuant to NRS 678B.210, within 2 months after the end of the period during which the Board accepts applications pursuant to NRS 678B.300, reallocate the licenses provided for that county pursuant to subsection 1 to the other counties specified in subsection 1 in the same proportion as provided in subsection 1.

3. With respect to medical cannabis establishments that are not medical cannabis dispensaries, the Board shall:

(a) Issue a medical cannabis establishment license to at least one medical cannabis cultivation facility and at least one medical cannabis production facility in each county; and

(b) Determine the appropriate number of additional such establishments in each county as are necessary to serve and supply



1 the medical cannabis dispensaries to which the Board has granted
2 medical cannabis establishment licenses and issue such a number of
3 medical cannabis establishment licenses for such establishments in
4 each county.

5 *4. An adult-use cannabis establishment license for an adult-*
6 *use cannabis retail store issued by the Board pursuant to section 5*
7 *of this act shall be deemed to be a medical cannabis establishment*
8 *license for a medical cannabis dispensary for the purposes of this*
9 *section.*

10 **Sec. 2.** NRS 678B.260 is hereby amended to read as follows:

11 678B.260 1. Except as otherwise provided in this section and
12 NRS 678B.270, the Board shall issue adult-use cannabis
13 establishment licenses for the operation of adult-use cannabis retail
14 stores in the following quantities for applicants who qualify
15 pursuant to NRS 678B.250:

16 (a) In a county whose population is 700,000 or more, 80
17 licenses;

18 (b) In a county whose population is 100,000 or more but less
19 than 700,000, 20 licenses;

20 (c) In a county whose population is 55,000 or more but less than
21 100,000, four licenses; and

22 (d) In a county whose population is less than 55,000, two
23 licenses.

24 2. The Board shall, for any county for which no applicants
25 qualify pursuant to NRS 678B.250, within 2 months after the end of
26 the period during which the Board accepts applications pursuant to
27 NRS 678B.300, reallocate the licenses provided for that county
28 pursuant to subsection 1 to the other counties specified in subsection
29 1 in the same proportion as provided in subsection 1.

30 *3. The provisions of this section do not apply to an adult-use*
31 *cannabis establishment license for the operation of an adult-use*
32 *cannabis retail store issued by the Board pursuant to section 5 of*
33 *this act.*

34 **Sec. 3.** Chapter 678D of NRS is hereby amended by adding
35 thereto a new section to read as follows:

36 *1. An adult-use cannabis retail store that is not a dual*
37 *licensee may acquire and sell cannabis for the medical use of*
38 *cannabis and medical cannabis products only as provided in this*
39 *section.*

40 *2. An adult-use cannabis retail store described in subsection*
41 *1 that wishes to acquire and sell cannabis for the medical use of*
42 *cannabis and medical cannabis products shall submit a request to*
43 *the Board. Such a request must be submitted in the form and*
44 *manner prescribed by the Board and contain any information the*
45 *Board deems necessary.*



3. Upon receipt of a request submitted pursuant to subsection 2, the Board shall review the request. If the Board approves the request, the Board shall provide written notice of the approval to the adult-use cannabis retail store that submitted the request.

4. An adult-use cannabis retail store whose request submitted pursuant to subsection 2 has been approved by the Board shall be deemed to be a dual licensee for the purposes of this title and, except as otherwise provided by regulation of the Board, may acquire and sell cannabis for the medical use of cannabis and medical cannabis products at the location of the adult-use cannabis retail store to the same extent and in the same manner as if the retail store also held a medical cannabis establishment license for a medical cannabis dispensary. The adult-use cannabis retail store shall comply with all provisions of this title and the regulations adopted pursuant thereto applicable to a dual licensee and any other requirements governing the acquisition and sale of cannabis for the medical use of cannabis and medical cannabis products by the adult-use cannabis retail store that the Board may establish by regulation.

5. The Board may adopt any regulations necessary to carry out the provisions of this section, including, without limitation, regulations establishing additional requirements for the operation of an adult-use cannabis retail store that is deemed to be a dual licensee pursuant to this section.

Sec. 4. NRS 372A.290 is hereby amended to read as follows:

372A.290 1. An excise tax is hereby imposed on each wholesale sale in this State of cannabis by a medical cannabis cultivation facility to another cannabis establishment at the rate of 15 percent of the fair market value at wholesale of the cannabis. The excise tax imposed pursuant to this subsection is the obligation of the medical cannabis cultivation facility.

2. An excise tax is hereby imposed on each wholesale sale in this State of cannabis by an adult-use cannabis cultivation facility to another cannabis establishment at the rate of 15 percent of the fair market value at wholesale of the cannabis. The excise tax imposed pursuant to this subsection is the obligation of the adult-use cannabis cultivation facility.

3. ~~[Am]~~ Except as otherwise provided in subsection 8, an excise tax is hereby imposed on each retail sale in this State of cannabis or cannabis products by an adult-use cannabis retail store at the rate of 10 percent of the sales price of the cannabis or cannabis products. The excise tax imposed pursuant to this subsection:

(a) Is the obligation of the adult-use cannabis retail store.



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

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

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

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

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

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

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

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

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

8. *The excise tax imposed pursuant to subsection 3 does not apply to a sale of cannabis for the medical use of cannabis or a medical cannabis product to the holder of a registry identification card or letter of approval by an adult-use cannabis retail store that has been deemed to be a dual licensee pursuant to section 3 of this act.*

9. As used in this section:

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

(b) ~~["Adult-use cannabis retail store" has the meaning ascribed to it in NRS 678A.065.~~



1 ~~(e)~~ “Cannabis product” has the meaning ascribed to it in
2 NRS 678A.120.

3 *(c) “Letter of approval” has the meaning ascribed to it in*
4 *NRS 678C.070.*

5 (d) “Local government” has the meaning ascribed to it in
6 NRS 360.640.

7 (e) “Medical cannabis cultivation facility” has the meaning
8 ascribed to it in NRS 678A.170.

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

11 *(g) “Medical cannabis product” has the meaning ascribed to it*
12 *in NRS 678A.200.*

13 *(h) “Medical use of cannabis” has the meaning ascribed to it*
14 *in NRS 678A.215.*

15 *(i) “Registry identification card” has the meaning ascribed to*
16 *it in NRS 678C.080.*

17 **Sec. 5.** 1. Any person who, on January 1, 2022, holds a
18 medical cannabis establishment license for a medical cannabis
19 dispensary but does not hold an adult-use cannabis establishment
20 license for an adult-use cannabis retail store may, on or before
21 June 1, 2022, submit an application to the Board to convert the
22 medical cannabis establishment license for a medical cannabis
23 dispensary to an adult-use cannabis establishment license for an
24 adult-use cannabis retail store.

25 2. An application submitted pursuant to subsection 1 must:

26 (a) Be submitted on a form prescribed by the Board;

27 (b) Contain any information the Board may by regulation
28 require; and

29 (c) Be accompanied by a fee in an amount established by
30 regulation of the Board.

31 3. If the Board approves an application submitted pursuant to
32 subsection 1, the approved applicant shall surrender his or her
33 medical cannabis establishment license for a medical cannabis
34 dispensary. Upon surrender of the license, the Board shall issue to
35 the approved applicant an adult-use cannabis establishment license
36 for an adult-use cannabis retail store.

37 4. Except as otherwise provided in NRS 678.220, as amended
38 by section 1 of this act, and NRS 678B.260, as amended by section
39 2 of this act, an adult-use cannabis establishment license for an
40 adult-use cannabis retail store issued pursuant to this section shall be
41 deemed to be an adult-use cannabis establishment license for an
42 adult-use cannabis retail store issued by the Board pursuant to
43 NRS 678B.250.

44 5. The Board shall adopt regulations necessary to carry out the
45 provisions of this section. The regulations must, without limitation:



(a) Prescribe the form and required contents for an application submitted to pursuant to subsection 1;

(b) Prescribe the manner in which an application may be approved or denied; and

(c) Establish a fee for the conversion of a license pursuant to this section in an amount the Board determines necessary to cover the costs of carrying out the provisions of this section.

6. As used in this section:

(a) “Adult-use cannabis establishment license” has the meaning ascribed to it in NRS 678A.040.

(b) “Adult-use cannabis retail store” has the meaning ascribed to it in NRS 678A.065.

(c) “Board” means the Cannabis Compliance Board created by NRS 678A.350.

(d) “Medical cannabis dispensary” has the meaning ascribed to it in NRS 678A.175.

(e) “Medical cannabis establishment license” has the meaning ascribed to it in NRS 678A.185.

Sec. 6. 1. This section becomes effective upon passage and approval.

2. Sections 1 to 5, inclusive, of this act become effective:

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

(b) On January 1, 2022, for all other purposes.

