



CANNABIS TAXES IN NEVADA: AN EXPLAINER

Mark Krmpotic, Interim Director of Economic and Fiscal Policy
Guinn Center for Policy Priorities

Kaiana Miller, Graduate Research
Department of Economics, College of Business, University of Nevada, Reno

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(775) 682-5083



info@guinncenter.org



guinncenter.org

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AUTHORS

Mark Krmpotic, Interim Director of Economic and Fiscal Policy, Guinn Center
Kaiana Miller, Graduate Research Assistant, Department of Economics, College of Business,
University of Nevada, Reno (UNR)

EDITORS AND CONTRIBUTORS

Dr. Mehmet Serkan Tosun (Peer Reviewer and Contributor), Chief International Officer, UNR;
Director, Ozmen Center for Entrepreneurship and International Business Programs; Barbara
Smith Campbell Distinguished Professor; Professor of Economics, College of Business, UNR
Todd Butterworth (Editor), Senior Research Analyst, Guinn Center
Jill Tolles (Editor), Executive Director, Guinn Center
Kristine Caliger (Editor), Assistant Director, Guinn Center
Michael Stewart (Editor), Research Director, Guinn Center
Renelle Pinero, Publishing Coordinator, Guinn Center

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EXECUTIVE SUMMARY

Nevadans voted in November 2016 to legalize the use of recreational cannabis, effective January 1, 2017. A key reason many voters supported the measure was the promise that a portion of cannabis tax revenues would support K–12 education in Nevada. Since its passage, many citizens have asked: **How much revenue has been raised, and where has it gone?**

As this explainer highlights, in the eight years following legalization, there have been changes to legal cannabis possession limits, the taxation of cannabis, and the distribution of tax revenues. Some key takeaways from our research include:

- Cannabis is currently legal in 39 states—24 on a recreational basis.
- In Nevada, cannabis is taxed at the wholesale and retail levels, and the vast majority of the tax revenue is designated to support K-12 education.
- Since 2018, the two taxes exclusive to cannabis have provided nearly \$716 million in K-12 funding, plus additional school funding through other sales taxes.
- Among the nine western states collecting cannabis taxes, Nevada ranks fourth in per capita taxes collected.
- After four initial years of growth in cannabis tax revenues, they dropped in Fiscal Year (FY) 2022 and FY 2023, which is a pattern seen in other states.

INTRODUCTION

More than eight years after the decriminalization of possession of up to one ounce of marijuana for those in Nevada aged 21 and over, misconceptions regarding the budgetary implications of cannabis taxation persist. Two excise taxes, differences in distribution, and associated statutory changes have resulted in some confusion among both policymakers and the public.

This explainer seeks to clarify the status of cannabis law, tax policy, and related revenue in Nevada by exploring Nevada’s current cannabis use and tax policies and showing the inconsistency between the state’s projected and actual tax revenue in recent fiscal years. States that permit recreational cannabis most frequently tax cannabis using a retail or wholesale excise tax; this is the case in Nevada. Some states levy cannabis taxation by potency or weight, though these methods are typically more costly to implement. Next, we detail what Nevada law prescribes for distributing cannabis tax revenues and provide a chart to visualize the process. We then explore how Nevada compares to other western states regarding the types and rates of cannabis taxes and the revenue generated. This explainer concludes with timelines of cannabis legalization and tax policy in Nevada, beginning in 1923, when the state first prohibited cannabis use and possession, and ending in 2023 with increased possession limits and a new excise tax policy. We also show the distribution of the state’s cannabis revenues from FY 2018 through FY 2024.

It is important to note that due to the relatively brief history of cannabis legalization among states, it may be premature to draw overarching conclusions about which states have model policies for cannabis regulation and taxation. However, we point out some interesting features of cannabis excise tax rates and the revenues they generate to highlight different strategies policymakers are using around the country.

WHAT IS THE HISTORY OF CANNABIS LEGALIZATION IN NEVADA?

To better understand the arc of cannabis policy in Nevada, it is helpful to contextualize the evolution of state law on the subject, related to both legalization and taxation. Cannabis use in Nevada was explicitly prohibited by the Legislature in 1923. The timeline in Table 1 highlights the history of cannabis legalization in Nevada, starting with the passage of [Ballot Question 9](#) in 1998 and 2000, which authorized its use for medical purposes.

Table 1: Major Events in Cannabis Legalization in Nevada

1923	Nevada first prohibited cannabis statewide.
2000	Section 38 was added to Article 4 of the Nevada Constitution , legalizing the use of medical marijuana. It was proposed by initiative petition (Ballot Question 9) and ratified by voters in the 1998 and 2000 General Elections, with 59 percent and 65 percent approval, respectively. ¹
2002	An effort to make Nevada the first state in the nation to legalize marijuana possession failed when Ballot Question 9 was defeated with 61 percent of voters opposing legalization.
2006	A second initiative set forth in Ballot Question 7 was also defeated, with 56 percent of voters opposing legalization.
2016	Recreational use of cannabis was legalized after the Initiative to Regulate and Tax Marijuana (Ballot Question 2) passed with 54 percent of the vote on November 8, 2016.
2017	Recreational use went into effect on January 1, 2017. The first dispensaries opened to the public on July 1, 2017. Adults ages 21 and over can possess up to one ounce of cannabis or one-eighth of an ounce of concentrated cannabis. In addition, cannabis cannot be cultivated at home unless the person cultivating lives more than 25 miles from a licensed dispensary.
2021	Assembly Bill 341 was signed by Governor Sisolak, allowing alcohol-free consumption lounges and offering tourists a venue to consume cannabis. The first lounge opened in October 2019 on tribal land (operated by the Las Vegas Paiute Tribe), and the first non-tribal lounge opened in February 2024.
2023	Governor Lombardo signed Senate Bill 277 into law to increase possession limits from one ounce to two and one-half ounces for cannabis and from one-eighth of an ounce to one-quarter of an ounce of concentrated cannabis. The law went into effect on January 1, 2024.

¹[Article 19, Section 2, of the Nevada Constitution](#) provides that if a majority of voters approve an amendment to the Constitution at a general election, the Secretary of State shall publish and resubmit the question in the same manner for approval or disapproval at the next succeeding general election. If a majority of voters approve the proposal, it shall become a part of the *Nevada Constitution* upon completion of the canvass of votes by the Supreme Court.

Table 2 highlights legislation considered and approved by the Nevada Legislature since 2013 relating to the taxation of cannabis.

Table 2: History of Cannabis Taxation in Nevada

Legislative Session	Description	Legislation Approved
2013	Relates to medical cannabis: - Imposed a 2 percent excise tax on each wholesale sale of cannabis. - Also imposed a 2 percent excise tax on each retail sale of cannabis, including edibles. - Provided that 75 percent of cannabis tax revenues must be deposited into the State Distributive School Account in the State General Fund. - Required 25 percent of revenues from the cannabis tax to be expended to pay the costs related to cannabis regulation to the Health Division of DHHS.	SB 374
2017	- Increased, from 2 percent to 15 percent, the wholesale excise tax rate on cannabis for medical use by a cultivation facility (part of an initiative petition vote). - Abolished the excise tax on sales by a facility for the production of edible and medical cannabis. - Imposed a 10 percent retail excise tax on cannabis products. - Set a \$5 million cap as sufficient to pay the costs of local governments to carry out cannabis provisions. - Distributed the excise tax proceeds on the retail sale of cannabis to the Account to Stabilize the Operation of the State Government, also known as the "Rainy Day Fund," in the State General Fund.	SB 487
2019	Required that the excise tax revenues from retail sales of cannabis and cannabis products be deposited in the State Distributive School Account (to support K-12 education in Nevada) in the State General Fund (and not in the "Rainy Day Fund").	SB 545
2019	- Replaced the term "marijuana" with the term "cannabis" for all existing laws governing the cannabis industry (prior to 2019, legislation used the term "marijuana"). - Created the Cannabis Advisory Commission. - Created the Cannabis Compliance Board (CCB). - Provided that the 15 percent wholesale tax be used to pay for CCB and local government costs up to \$5 million, with any remaining revenue going to State Distributive School Account.	AB 533
2019	In addition to establishing the new Pupil-Centered Funding Plan, directed that the retail excise taxes, plus the remaining proceeds from the wholesale excise taxes on cannabis be deposited into the State Education Fund.	SB 543
2023	Deemed each adult-use cannabis establishment to be a dual licensee and authorized them to engage in activities of an establishment holding a medical cannabis license. It also exempted from the excise tax imposed on retail sales of cannabis any sale for the medical use of cannabis.	SB 277
2023	Revised the 15 percent wholesale excise tax on cannabis to apply the tax only to the "first wholesale sale."	AB 430

WHAT ARE NEVADA'S CURRENT LEGAL CANNABIS USE AND TAX POLICIES?

States that legalize cannabis for recreational purposes tend to take a libertarian view of the activity. But, they also see legalization as an opportunity to tax an activity that previously did not generate state revenue when sales were illegal. To this end, Nevada law grants a new right of cannabis use but imposes a new obligation to pay taxes on related sales.

As of June 2025, [Nevada Revised Statutes \(NRS\) 678D.200](#) exempts persons aged 21 years or older from state prosecution for the possession of up to 2.5 ounces of cannabis or up to one-fourth of an ounce of concentrated cannabis.² The state imposes the following two separate excise taxes on the sale of cannabis:

- A 15 percent excise tax on the "first wholesale sale" of cannabis by a cultivation facility to another cannabis establishment;³ and
- A 10 percent excise tax on each retail sale of cannabis or cannabis products by an adult-use cannabis retail store or cannabis consumption lounge.

The sale of medical cannabis is subject to the 15 percent wholesale tax but is exempt from the 10 percent retail excise tax. Excluding the general sales tax, Local School Support Tax (LSST), and licensing fees, Nevada realized \$133,091,552 in cannabis tax revenues for FY 2023.

In addition to the wholesale and retail excise taxes, cannabis sales are subject to the Nevada State sales tax, the statewide LSST, and local sales taxes. Table 3 shows the different taxes that cannabis sales are subject to in Nevada. Four counties have the lowest effective sales tax rate of 6.85 percent: Esmeralda, Eureka, Humboldt, and Mineral. Clark County has the highest rate at 8.375 percent. The state's average sales tax rate in FY 2022 and FY 2023 was 8.09 percent and 8.04 percent, respectively.⁴

²Per weedmaps.com, cannabis concentrates are the product of distilling down the most desirable parts of the plant. They contain all the cannabinoids and terpenes of cannabis flowers and none of the excess plant material. Ounce for ounce, marijuana concentrates have a far greater proportion of cannabinoids and terpenes than raw cannabis flowers.

³The 15 percent wholesale excise tax, including to which fund the revenues are deposited, was part of the initiative petition vote (Question 2) in 2016. Pursuant to [Article 19, Section 2 of the Nevada Constitution](#), "An initiative measure so approved by the voters shall not be amended, annulled, repealed, set aside or suspended by the legislature within 3 years from the date it takes effect." The legislature has been able to redirect this funding source since 2020.

⁴This number is calculated by comparing the total sales tax (defined as the sum of the Sales and Use Tax, LSST, City/County Relief Tax, and Local Options Tax) paid in the state of Nevada to the total taxable sales in Nevada. It is not a simple average of the different tax rates in each county.

Table 3: Taxes Imposed on Retail and Wholesale Cannabis Sales in Nevada

Tax Component	Tax Rate	Recipient of Revenue
Sales Tax	2.0 %	State General Fund
Local School Support Tax (LSST)	2.6 %	State General Fund & State Education Fund
Basic City-County Relief Tax (BCCRT)	0.5 %	Counties, Cities, Towns, State General Fund, and Local Government Entities
Supplemental City-County Relief Tax (SCCRT)	1.75 %	Counties, Cities, Towns, State General Fund, and Local Government Entities
County Optional Sales Tax	0-1.525 %	Counties, State General Fund
Total Non-Excise Taxes	6.85 – 8.375 %	
Wholesale Excise Tax	15 %	CCB and Local Government Costs, with any excess to State Education Fund
Retail Excise Tax	10 %	State Education Fund
Total Taxes	31.85 – 33.375 %	

HOW ARE PROCEEDS DEPOSITED AND DISTRIBUTED?

It is useful to understand how Nevada’s cannabis tax revenues are distributed under the law and to visualize the points of taxation during the flow of cannabis through the wholesale and retail sales process.

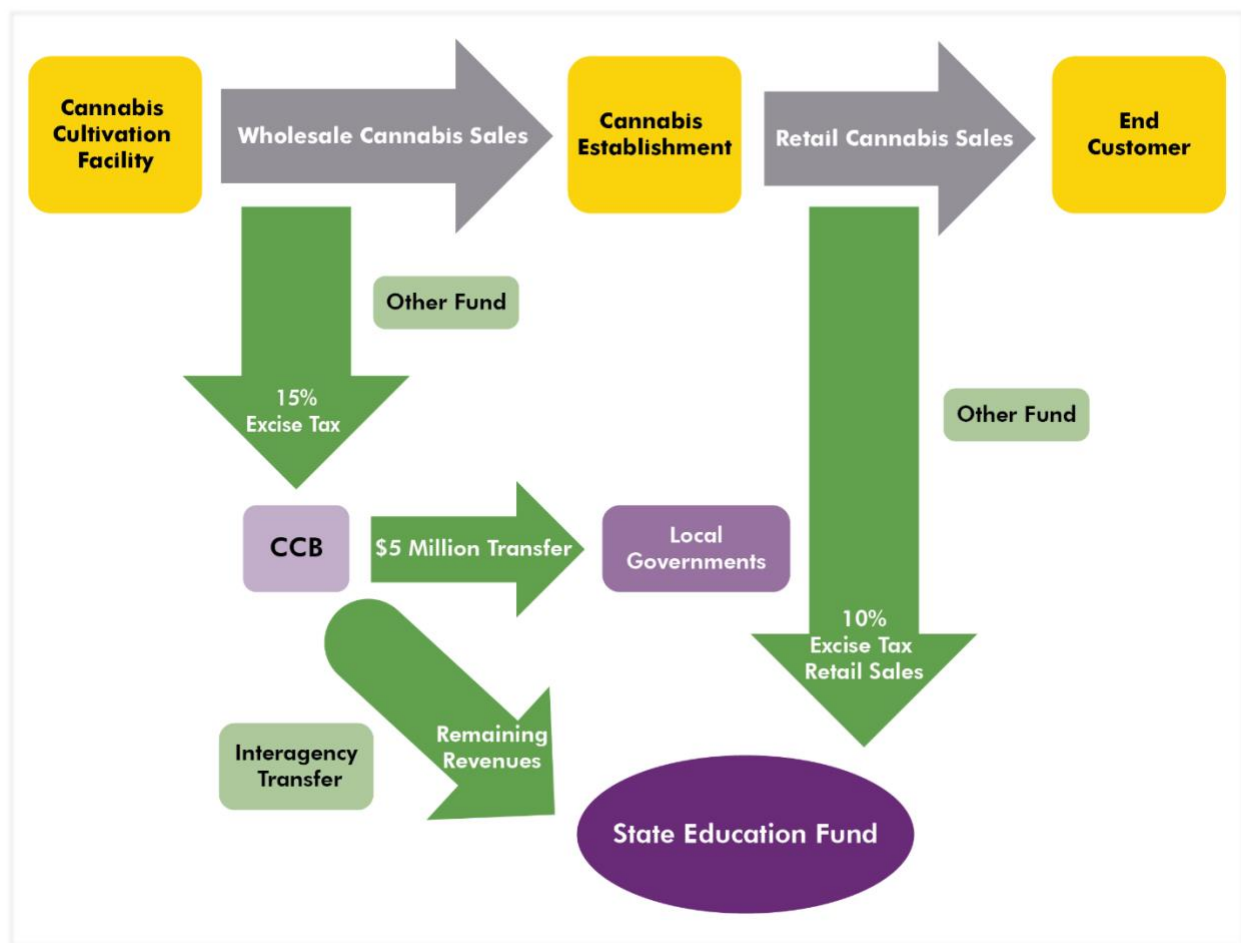
[*Nevada Revised Statutes 372A.290*](#) (subsections 4 through 7) set forth the distribution of proceeds from the wholesale and retail cannabis excise taxes.

Subsections 4, 5, and 6: Direct revenues from the wholesale excise tax to be distributed to the CCB and local governments to pay the costs of carrying out the statute, with all excess funds deposited into the State Education Fund. The law deems \$5,000,000 sufficient to pay the costs of local governments in each fiscal year.

Subsection 7: Directs revenues from the cannabis retail excise tax to be deposited into the State Education Fund.

The current flow of cannabis tax revenues is shown in Figure 1. In FY 2023, Nevada had taxable retail sales of cannabis totaling just under \$850 million. These sales, net of sales for medical purposes, generated \$80 million in retail excise tax revenues. Separate wholesale transactions generated \$53 million in wholesale excise tax revenues. It is important to note that in addition to revenues from wholesale and retail excise taxes, the State Education Fund receives an additional 2.6 percent on each retail sale of cannabis via the LSST. This implies that, in addition to the \$80 million in retail excise tax revenue and remaining wholesale tax revenues of \$49.2 million, after paying the costs of the CCB and local governments, the State Education Fund also received approximately \$21 million (less the 0.75 percent state charge for collection) in FY 2023 LSST revenue from retail cannabis sales.

Figure 1: Cannabis Tax Flowchart as of 2025



HOW MUCH REVENUE HAS GONE TO EDUCATION AND OTHER FUNDS?

Nevada’s cannabis legislation summarized in Table 2 has accomplished at least one of its stated goals—raising revenue for education. Since 2018, the two taxes exclusive to cannabis have provided nearly \$716 million in K-12 funding, plus additional school funding through general sales taxes. Figure 2 and Table 4 show the distribution of the cannabis tax since FY 2018 to support K-12 education, Nevada’s “Rainy Day” fund, and local government.

Figure 2: Cannabis Tax Distributions Since FY 2018

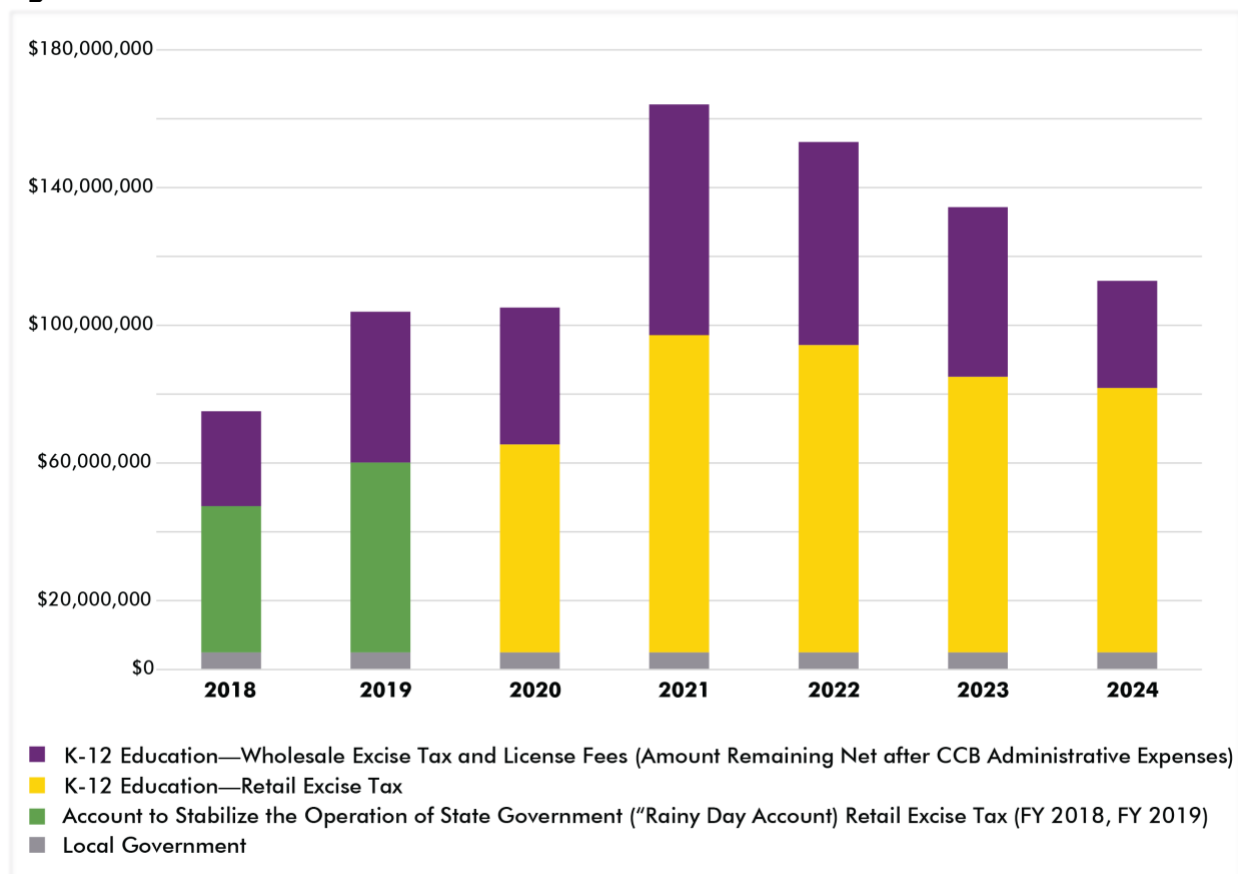


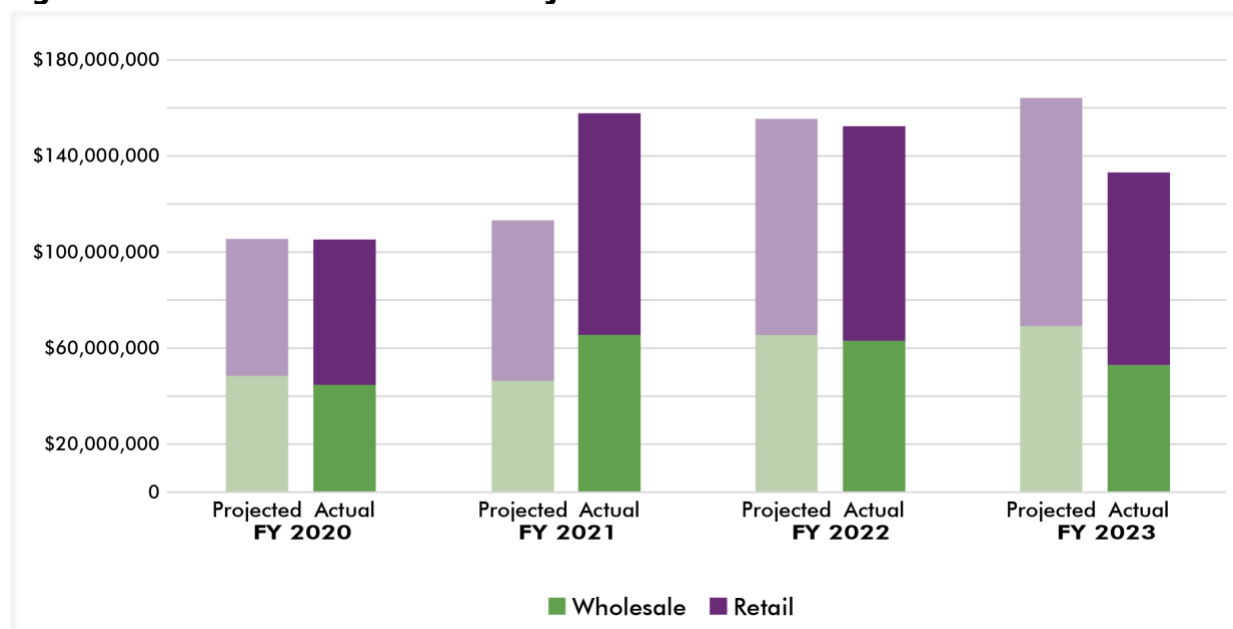
Table 4: Cannabis Tax Distributions Since FY 2018

Fiscal Year	K-12 Education – Wholesale Excise Tax and License Fees (Amount Remaining Net after CCB Administrative Expenses and Local Government)	K-12 Education – Retail Excise Tax	Account to Stabilize the Operation of State Government ("Rainy Day Account") Retail Excise Tax (FY 2018, FY 2019)	Local Government
2018	\$27,518,741		\$42,489,201	\$5,000,000
2019	\$43,764,762		\$55,184,916	\$5,000,000
2020	\$39,740,986	\$60,410,272		\$5,000,000
2021	\$67,001,432	\$92,138,285		\$5,000,000
2022	\$58,886,476	\$89,314,456		\$5,000,000
2023	\$49,227,032	\$80,106,892		\$5,000,000
2024	\$31,079,460	\$76,800,162		\$5,004,587
Total	\$317,218,889	\$398,770,067	\$97,674,117	\$35,004,587

WHAT ARE THE CHALLENGES IN PROJECTING CANNABIS TAX REVENUE?

The state of Nevada estimates cannabis tax revenues in the Legislatively Approved Biennium Budget. Actual cannabis tax revenues are reported in the Department of Taxation's Fiscal Year Annual Reports. States that legalize and tax cannabis have consistently experienced a reduction in tax revenue after three to four years of revenue growth following legalization (see Figure 5). This has been the case in Nevada. Figure 3 shows the projected and actual tax revenues from the wholesale and retail cannabis excise taxes from FY 2020 to FY 2023. The projected and actual tax revenues were very close in both FY 2020 and FY 2022. In FY 2021, the actual revenues far exceeded the projection. However, in FY 2023, the revenues were approximately \$30 million less than initially projected.

Figure 3: Nevada's Actual Versus Projected Cannabis Tax Revenues



HOW DOES NEVADA'S CANNABIS TAX POLICY AND REVENUE COMPARE TO OTHER STATES?

Nevada's cannabis tax regime is comparable to other states, and its per capita tax revenues are substantial. It is instructive to see the nation's evolving policy landscape toward cannabis legalization and to compare Nevada's resulting tax revenues to its peers in the western United States.

Figure 4 shows how cannabis legalization varies by state. As of June 2024, 39 states allowed the use of medical cannabis. Twenty-four states have already legalized the use of recreational cannabis, with 21 taxing its recreational use.

Figure 4: Cannabis Legislation as of 2024

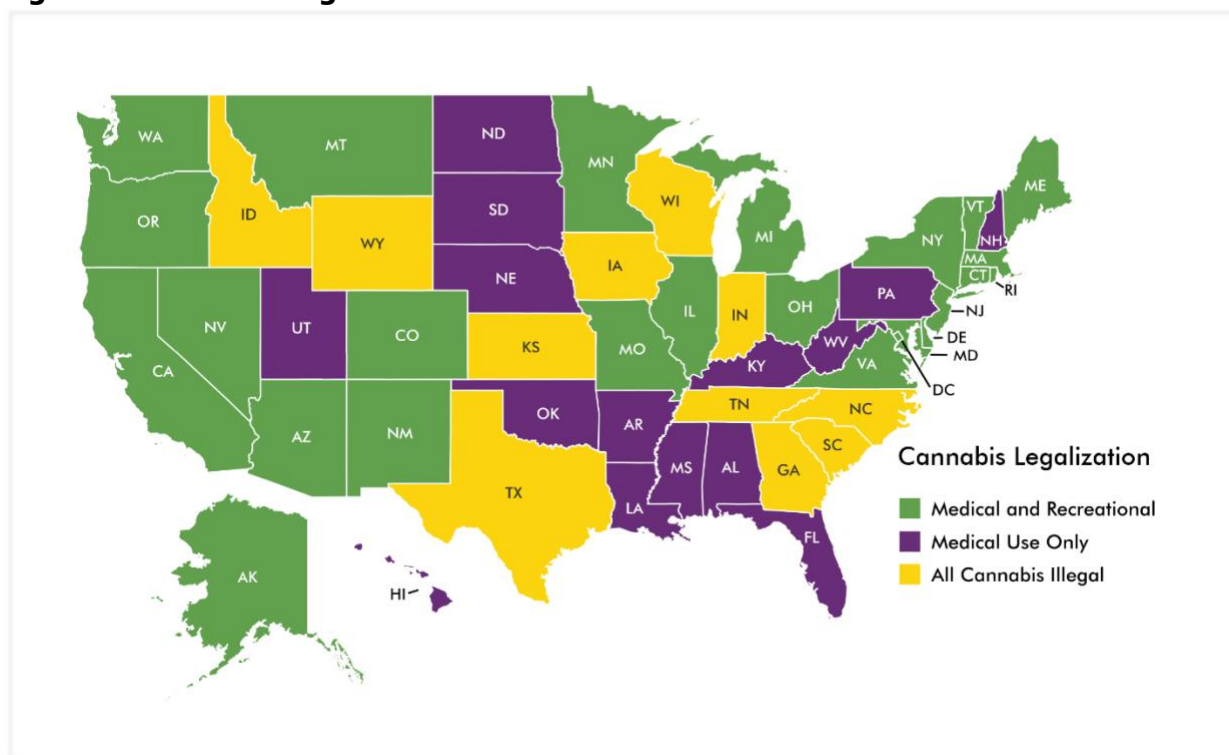


Table 5 shows the different cannabis taxes, their rates, and the FY 2023 revenue (total and per capita) for the western states.⁵ Recreational cannabis use is illegal in four western states: Hawaii, Idaho, Utah, and Wyoming. Hawaii and Utah permit medical use, but neither has cannabis-specific taxes. Washington state has the nation's highest excise tax on recreational use at 37 percent, and the highest cannabis tax revenue per capita among western states. Nevada and Colorado are the only western states with a wholesale cannabis excise tax. In New Mexico, dispensaries must pay a gross receipts tax, varying from 5.125 percent to 8.8125 percent. New Mexico also applies two separate taxes to recreational cannabis sales: A 12 percent excise tax that will increase by 1 percent annually starting in 2025, and a separate gross receipts tax that ranges from 5 to 9 percent depending on local law. Some dispensaries factor this tax into the price of a purchase, and others add it at the point of sale. Most states taxing cannabis-specific products do so via an excise tax levied at the point of sale. Other methods of cannabis taxation include levies by weight and/or potency and a dispensary gross receipts tax.

⁵Western States are those in the "Western Region" as set forth in the 2020 U.S. Census, namely: Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, New Mexico, Nevada, Oregon, Utah, Washington, and Wyoming.

Table 5: Western States' Population, Cannabis Tax Rates, and Fiscal Year 2023 Per Capita and Total Tax Revenue⁶

State	Population	Wholesale Tax Rate	Recreational Retail Tax Rate	Medical Retail Tax Rate	FY 2023 Cannabis Tax Revenue Per Capita	FY 2023 Cannabis Tax Revenue (total)
Alaska ⁷	733,406	-	-	-	\$40.19	\$29,477,517
Arizona	7,431,344	-	16%	6.6%	\$22.73	\$168,911,480
California	38,965,193	-	15%	15%	\$13.24	\$515,835,000
Colorado	5,877,610	15%	15%	-	\$46.84	\$275,308,602
Hawaii ⁸	1,435,138	-	-	-	-	-
Idaho ⁹	1,964,726	-	-	-	-	-
Montana	1,132,812	-	20%	4%	\$41.81	\$47,363,000
Nevada	3,194,176	15%	10%	-	\$41.67	\$133,091,552
New Mexico	2,114,371	-	12%	-	\$16.45	\$34,774,369
Oregon	4,233,358	-	17%	-	\$39.58	\$167,551,000
Utah ¹⁰	3,417,734	-	-	-	-	-
Washington	7,812,880	-	37%	-	\$59.39	\$463,993,000
Wyoming ¹¹	584,057	-	-	-	-	-

Note: Actual revenue numbers are from the individual states' Department of Taxation websites, which are linked in the table above. Revenue per capita is calculated using the [2023 American Community Survey 1-Year Estimates](#).

Finally, Figure 5 shows the tax revenues in each fiscal year beginning in FY 2018 for the eight western states that have legalized recreational cannabis use. These figures do not include state or county general sales tax or licensing revenues. Colorado and Washington were the first two states in the country to legalize recreational cannabis use. These states may have realized an early-mover advantage concerning cannabis sales and tax revenue. Note that every state has experienced 3 or 4 years of initial revenue growth, with most then seeing a decline, which has been precipitous in some states.

⁶Population figures for 2023 are from the American Community Survey 1-Year Estimates via the U.S. Census Bureau. Actual revenue numbers are from the individual state' department of taxation websites.

⁷Alaska permits recreational cannabis use. However, prior to a vote approving a flat rate excise tax in early 2024, Alaska taxed cannabis use based on weight.

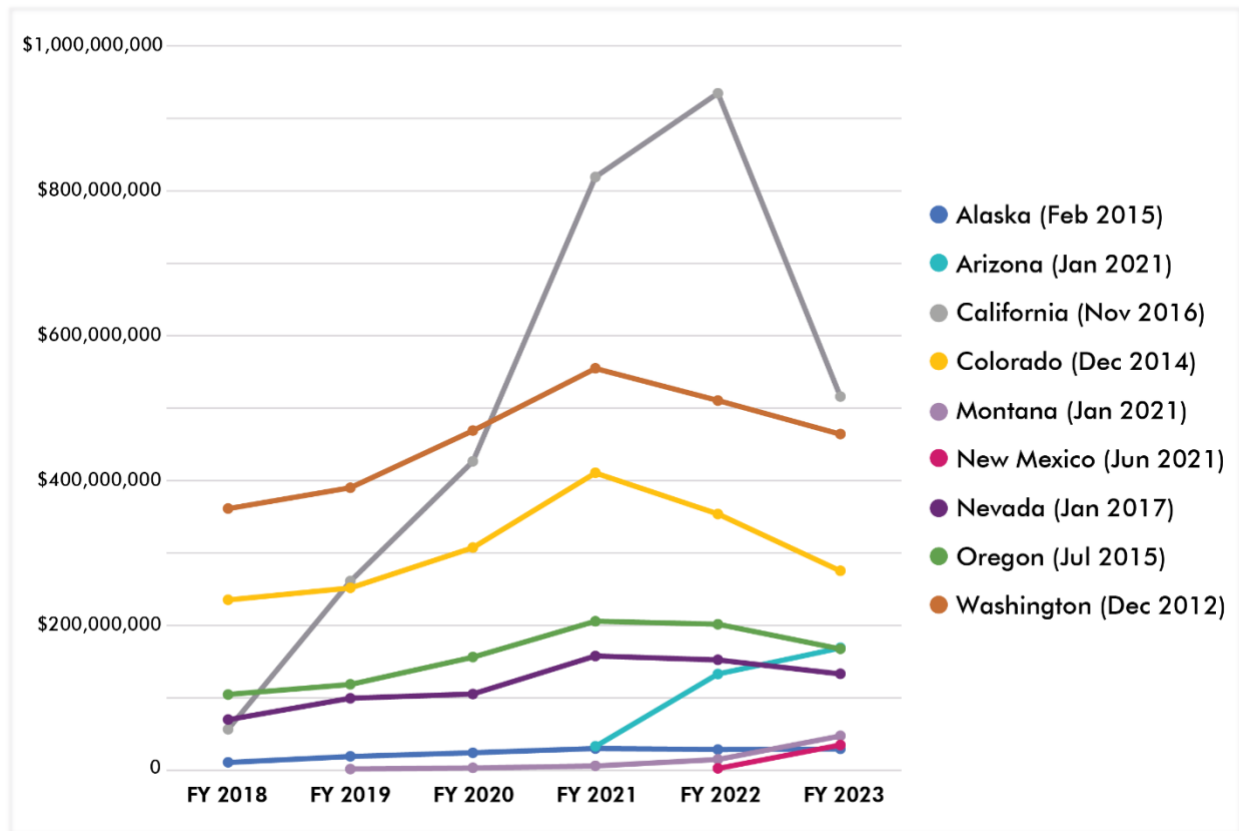
⁸Hawaii has not legalized recreational cannabis use, but it permits medical cannabis use that is not taxed.

⁹Idaho does not permit recreational or medical cannabis use.

¹⁰Utah has not legalized recreational cannabis use, but it permits medical cannabis use that is not taxed.

¹¹Wyoming does not permit recreational or medical cannabis use.

Figure 5: Western States Yearly Tax Revenues for Recreational Cannabis
(includes the year recreational use was authorized)



CONCLUSION

Since the legalization of recreational cannabis in 2017, Nevada’s cannabis industry and policy framework continue to mature. State law has evolved in response to policymakers’ deeper understanding of market dynamics and shifting legislative priorities. Excise and sales taxes on cannabis have generated hundreds of millions in state revenue, primarily to support K-12 education. However, revenues have proven volatile and challenging to project. Compared to western states, Nevada’s hybrid model of wholesale and retail taxation has yielded relatively high per capita revenue. The collective experience among states that have legalized cannabis highlights the challenges of balancing effective regulation, tax policy, and revenue reliability. As policymakers refine their approach to regulating and taxing the industry, as other states move toward legalization, and as consumer behavior regresses toward the mean, Nevada’s cannabis industry will mature and stabilize.

ABOUT THE GUINN CENTER

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Mailing Address:
1664 N. Virginia St.
M/S 0289
Reno, NV 89557

Physical Address:
190 E. Liberty St.
Reno, NV 89501



(775) 682-5083



info@guinncenter.org



guinncenter.org



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