

## **FAQ: LOCAL NEVADA COUNTY CANNABIS TAX PAYMENTS**

*This guide is intended to give a broad overview of Cannabis Tax requirements. The legal requirements for Cannabis Taxation and compliance requirements at the local level are established in Ordinance No. 2456 of the Board of Supervisors of the County of Nevada and should be consulted to ensure compliance.*

### **MINIMUM PAYMENTS:**

1. In many circumstances, cannabis products are sold over time (perhaps sometimes a year later from when harvested). How will this work with minimum payments on square footage on a quarterly basis?
  - a. Only tax on Gross Receipts will be due on a Quarterly basis. Any quarterly payments received during the fiscal year (July 1 - June 30) will count towards the minimum due for that fiscal year. Minimum amounts due are based on cycles and square footage, which are reported on the Annual Registration form.
2. Are taxes due on Gross Receipts at the end of the Year? What if one doesn't sell anything at the end of the year?
  - a. Cannabis taxes are calculated at a rate of 2.5% of Gross Receipts on a quarterly basis and are due by the end of the month following the close of each quarter. Any quarterly payments received during the fiscal year (July 1 - June 30) will count towards the minimum due for that fiscal year. Minimum amounts due are based on cycles and square footage, which are reported on the Annual Registration form.

### **ADJUSTMENTS:**

1. Where is the room for adjustments – if needed (for example: one does not use full sq. footage. They have a 10k sq. foot license, but they only cultivate 5k sq. feet?).
  - a. Business owners should make sure their Annual Registration forms are accurate. The cycles and square footage reported on the Annual Registration form is used to calculate the minimum due as outlined in the Ordinance.
2. Is the minimum due per grow cycle (even if you are not growing to the licenses full potential)?
  - a. The minimum due for each Cannabis business is based on cycles and square footage, as authorized in the Ordinance, and cannot be adjusted. However, on an annual basis the Tax Collector's office will perform a true-up process which will look at overall square footage per cycle and combine multiple cycles to allow for more fairness in how the law is applied. This process will also take into account any quarterly reports and payments that occurred during that fiscal year. If it is determined that the quarterly payments received do not satisfy the minimum due, an invoice will be sent to the business owner for the remaining amount due. If it is determined that the quarterly payments received satisfy the minimum, then the business owner will not receive an invoice.
3. How do farmers account for crop loss with minimums that need to be reached?
  - a. The current tax methodology is based on Gross Receipts, and therefore crop loss does not apply. However, should the Board of Supervisors implement a square footage methodology for taxing Cannabis cultivation, the square footage

tax due shall be paid based on the square footage of cultivation authorized by the County permit. The tax statement may include a request for adjustment of the tax due to square footage authorized but not utilized for cultivation, and/or crop loss, along with evidence sustaining the square footage utilized and/or crop loss.

### **GROW CYCLE:**

1. If product grown within a cycle is not sold for months, how will the County reconcile grow cycle vs. required quarterly payments?
  - a. Quarterly payments are calculated at a rate of 2.5% of Gross Receipts during each quarter. If no sales occur during the quarter, then no payment will be due. It is the responsibility of the business owner to accurately report Gross Receipts and make timely tax payments. Minimum amounts due will not change based on sales, however any quarterly payments received will count towards the minimum amount due for that fiscal year.
2. How does the County define a grow cycle? Time of planting to time of harvest?
  - a. A “growing cycle” means the life of a Cannabis plant grown from seed, clone or start to maturity, at which point the plant is harvested for flower or byproducts to dry, cure grade, trim or package for retail or wholesale.

### **MARKET VOLATILITY:**

1. Does the ordinance allow for rate or minimum required adjustments due to market volatility?
  - a. Tax rates and minimum amounts due are pre-determined and cannot be adjusted based solely on fluctuations or declines in the market.

### **TAX REPORTING PROCESS:**

1. When does a Cannabis Business have to Report and Pay Cannabis Taxes?
  - a. Cannabis quarterly tax returns, METRC data and payments must be received by the dates below for each quarter. Penalties and interest will accrue until full payment is received.  
  
1st Quarter (July 1 through September 30) – due by October 31  
2nd Quarter (October 1 through December 31) – due by January 31  
3rd Quarter (January 1 through March 31) – due by April 30  
4th Quarter (April 1 through June 30) – due by July 31
2. What if a farm has not followed the Registration and Business Tax Certificate process?
  - a. Failure to comply with regulations may result in fines and disciplinary actions. For more information on local requirements, refer to **Ordinance No. 2456 of the Board of Supervisors of the County of Nevada**:  
<https://www.mynevadacounty.com/DocumentCenter/View/29779/ORD-2456-Cannabis-Business-Tax>  
For more information on state requirements, refer to the **Medicinal and Adult-Use Cannabis Regulation and Safety Act**.  
[https://leginfo.legislature.ca.gov/faces/codes\\_displayexpandedbranch.xhtml?tocCode=BPC&division=10.&title=&part=&chapter=&article](https://leginfo.legislature.ca.gov/faces/codes_displayexpandedbranch.xhtml?tocCode=BPC&division=10.&title=&part=&chapter=&article)

3. Will payment plans be available if needed? How will they work?
  - a. Payment plans are not currently available. All tax payments must be received in full at the time of filing. The County is not able to accept a Quarterly Return without payment in full if there are any Gross Receipts being reported.
  
4. What if the circumstances change after registering (don't grow as much, have crop loss, etc.?)
  - a. Cannabis business owners need to submit a revised Annual Registration form if changes in grow cycles or square footage occur after initial reporting as these are the factors used in determining the annual minimum amount due for each Cannabis business.
  
5. What documentation is required for submittals? Will forms be allowed to be updated to allow for adjustments?
  - a. Cannabis business owners must submit an Annual Registration form each year and a Quarterly Return form each quarter. If the Quarterly Return form reports \$0.00 in Gross Receipts, then no additional documentation is needed. If there are any Sales to report, then payment must be received in full along with the Quarterly Return form and the METRC data showing the product was transferred and traced at the state level.
  
6. What if no sales occur in any given quarter, does the Cannabis Business still have to submit a Quarterly Return?
  - a. Yes, business owners must submit a Quarterly Return by the due date each quarter, even if no sales occurred.
  
7. How can a Cannabis business submit forms?
  - a. Forms can be submitted via email to [cannabistax@co.nevada.ca.us](mailto:cannabistax@co.nevada.ca.us), via fax to (530) 265-9857, or dropped off/mailed to: Treasurer-Tax Collector, 950 Maidu Avenue, Suite 290, Nevada City, CA 95959.