

ELIMINATING THE UNLICENSED CANNABIS MARKET

A 2024 report, commissioned by the State of Nevada, estimates that 21-30% of cannabis sales are through unlicensed transactions—approximately \$242 million to \$370 million in sales upon which state tax is not being collected.¹ In addition, Nevada has the second largest illegal market per capita, after California, when comparing four western states.²

¹ Nevada Cannabis Compliance Board. "[Cannabis Market Study](#)." Prepared by TPMA. (Aug. 2024).

² *Id.*

Nevada's unlicensed market for cannabis is multi-faceted. Operators range from large-scale drug trafficking to smaller operations taking advantage of a perceived lack of enforcement, and individuals. The operations themselves vary considerably by region and include growing sites, distribution networks, pop-up events, and one-on-one sales.

The Las Vegas metropolitan area is visited by more than 40 million tourists each year, most of whom are unaware of the state's cannabis purchase and consumption laws. Legal operators are restricted from operating in or delivering to the Strip Resort Corridor, where 70% of overnight guests stay.³ These restrictions create space for illegal sales to fulfill demand through:

UNLICENSED DELIVERY

Unlicensed operators disregard advertising and delivery restrictions, including bans on delivery and sales on the Strip corridor. Unlicensed operators offer illegal

³ Las Vegas Convention and Visitors Authority. "[2023 Las Vegas Visitor Profile Study](#)." Prepared by Heart+Mind Strategies. (2023).

sales through websites and social media platforms that likely confuse consumers, especially tourists unaware of Nevada's laws.

POP-UP SALES PARTIES

Short-duration events where consumers can purchase a variety of cannabis products. These events are hosted in vacation rentals or suites, may include entertainment, and are typically promoted using social media or targeted online advertisements.

In rural areas and on publicly managed lands, natural resources and remote locations can be exploited to grow cannabis. The largest of these operations are run by foreign drug traffickers, who prefer to grow and move their cannabis within the U.S. rather than attempt to transport it across heavily-armed border checkpoints:⁴

OUTDOOR FARMS

Large-scale cannabis growing sites with 100s or 1,000s

⁴ Nevada State Police Investigation Division. "[Marijuana Eradication](#)." Last accessed Nov. 22, 2024.

of plants worth millions of dollars. These sites often cause damage to the environment by diverting water flow or polluting soil. Pesticides are often heavily applied, creating significant health hazards for consumers.⁵

In locations throughout Nevada:



INDOOR FARMS

Mid-size cannabis growing sites ranging from 30 to 100 plants worth \$10,000 to \$500,000, often in industrial warehouses. Smaller operations can also be found in retrofitted residential homes. These sites often use significant amounts of electricity.

⁵ Timko, Steve. "[Large marijuana operation found in rural Nevada](#)." KOLQ 8 News Now. (Oct. 5, 2024). Last accessed Nov. 22, 2024.

INTOXICATING HEMP PRODUCTS



Nevada law restricts the sale of hemp products to cannabis dispensaries and prohibits the sale of synthetic cannabinoid products (hemp derivatives that undergo chemical modifications to produce intoxicating forms of THC). However, despite these restrictions, sales are still occurring outside of the regulated supply chain, often in smoke shops or via online orders delivered by mail into the state. Consumers often do not know where to lawfully obtain these products or that synthetic drug products are prohibited. Further, hemp products are not subject to the same requirements as cannabis products, including advertising restrictions designed to reduce youth attraction.

POLICY RECOMMENDATIONS

1

Develop a comprehensive, concerted strategy to enforce against the unlicensed market.

2

Strengthen the Cannabis Compliance Board's seizure and civil fine authority.

3

Provide the Department of Taxation with authority to collect taxes on unlicensed cannabis sales.

4

Expand cannabis advertising restrictions to apply to hemp.

5

Broaden consumer access to regulated products.