

STATE OF NEW YORK

8951

IN SENATE

January 20, 2026

Introduced by Sen. COONEY -- read twice and ordered printed, and when printed to be committed to the Committee on Investigations and Government Operations

AN ACT to amend the cannabis law, in relation to prohibiting cannabis inversion and establishing penalties and whistleblower protections

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

1 Section 1. This act shall be known and may be cited as the "cannabis
2 supply chain integrity and anti-inversion act".

3 § 2. Legislative findings and intent. The legislature finds that the
4 integrity of New York state's regulated cannabis market depends on tran-
5 sparency, traceability, and lawful origin of cannabis and cannabis
6 products offered for sale to consumers in New York. The introduction of
7 illicit cannabis into the regulated supply chain, commonly known as
8 "cannabis inversion," threatens consumer health, undermines public
9 confidence, deprives the state of tax revenue, and disadvantages compli-
10 ant licensees. It is the intent of the legislature to define cannabis
11 inversion, prohibit such conduct, provide for meaningful penalties and
12 license consequences, and establish accountability for responsible
13 persons and laboratories.

14 § 3. Section 136 of the cannabis law is amended to read as follows:

15 § 136. Illicit cannabis. 1. "Illicit cannabis" means and includes (a)
16 any cannabis flower, concentrated cannabis and cannabis product on which
17 any tax required to have been paid under any applicable state law, has
18 not been paid. Illicit cannabis shall not include any cannabis lawfully
19 possessed in accordance with this chapter or the penal law[-];

20 (b) sourced cannabis or cannabis products from an unlicensed or unau-
21 thorized person or entity; or

22 (c) misrepresented geographic origin, cultivation site, manufacturing
23 process, or chain of custody of cannabis, cannabis products, or canna-
24 bis-derived materials.

25 1-a. Any person who:

26 (a) utilizes a fraudulent, misleading, or materially unreliable
27 certificate of analysis;

EXPLANATION--Matter in italics (underscored) is new; matter in brackets
[-] is old law to be omitted.

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1 (b) falsifies or omits required inventory, testing, transfer, or
2 tracking records; or

3 (c) knowingly sells, transfers, or offers for sale inverted cannabis
4 products to any registrant, licensee, or permittee.

5 2. Any person holding a license, permit or registration under this
6 chapter who shall knowingly possess or have under [~~his or her~~] their
7 control any cannabis known by the person to be illicit cannabis is guilty
8 of a class B misdemeanor.

9 3. Any person holding a license, permit or registration pursuant to
10 this chapter who shall knowingly barter, exchange, give or sell, or
11 offer to barter, exchange, give or sell any cannabis known by the person
12 to be illicit cannabis is guilty of a misdemeanor.

13 4. Any person holding a license, permit or registration pursuant to
14 this chapter who shall knowingly possess or have under [~~his or her~~]
15 their control or transport any cannabis known by the person to be illicit
16 cannabis with intent to barter, exchange, give or sell such cannabis
17 is guilty of a class B misdemeanor.

18 5. Any person who, being the owner, lessee or occupant of any room,
19 shed, tenement, booth, building, float, vessel or part thereof who know-
20 ingly permits the same to be used for the cultivation, processing,
21 distribution, purchase, sale, warehousing or transportation of any
22 cannabis, in violation of a possession limit in the penal law, known by
23 the person to be illicit cannabis, is guilty of a violation.

24 § 4. The cannabis law is amended by adding new section 125-a to read
25 as follows:

26 § 125-a. Cannabis inversion. "Cannabis inversion" means any act or
27 omission involving illicit cannabis.

28 1. (a) No registrant, licensee, permittee, or laboratory testing
29 facility, and no person acting on behalf of any such registrant, licen-
30 see, permittee, or laboratory testing facility, shall engage in cannabis
31 inversion.

32 (b) A violation of this section shall constitute cause for discipline
33 pursuant to section one hundred thirty-three of this article and any
34 applicable regulations.

35 2. (a) In addition to any other penalty, the office may impose a civil
36 penalty of not less than three times the retail value of the inverted
37 cannabis or cannabis products involved in the violation, or two hundred
38 fifty thousand dollars, whichever is greater.

39 (b) Inverted cannabis or cannabis products, and any proceeds directly
40 derived therefrom, shall be subject to seizure, forfeiture, and
41 destruction or other disposition as determined by the office in accord-
42 ance with applicable law and regulation.

43 (c) Upon reasonable grounds to believe a violation occurred, the
44 office may order immediate suspension pending investigation. Upon a
45 finding that cannabis inversion was committed knowingly or recklessly,
46 revocation shall be presumed to be the appropriate sanction, subject to
47 any procedures and standards applicable under section one hundred thir-
48 ty-three of this article.

49 (d) In addition to any other sanction, submission, use, or issuance of
50 a fraudulent or materially unreliable certificate of analysis in furth-
51 erance of cannabis inversion shall constitute cause for permanent revo-
52 cation of a laboratory testing permit and a civil penalty of not less
53 than three times the retail value of the inverted cannabis involved in
54 the violation, or two hundred fifty thousand dollars, whichever is
55 greater.

1 3. (a) For purposes of this section, "responsible person" means any
2 principal officer, managing member, general partner, or other natural
3 person who exercises operational control or managerial authority over
4 the relevant licensed or permitted activity.

5 (b) Where the office finds that a responsible person knew or should
6 have known of cannabis inversion and failed to take reasonable steps to
7 prevent, stop, or report such conduct, such responsible person may be
8 held jointly and severally liable for civil penalties imposed pursuant
9 to subdivision two of this section, in addition to any license disci-
10 pline imposed on the entity.

11 § 5. The cannabis law is amended by adding a new section 138-c to read
12 as follows:

13 § 138-c. Whistleblower protection; anti-retaliation. 1. No registrant,
14 licensee, permittee, laboratory testing facility, or contractor thereof
15 shall discharge, threaten, penalize, discipline, or otherwise retaliate
16 against any employee or contractor because such employee or contractor,
17 in good faith, reported or attempted to report suspected prohibitions
18 and restrictions to the office, the board, or any law enforcement agen-
19 cy.

20 2. Retaliation in violation of this section shall constitute an inde-
21 pendent violation subject to discipline and civil penalties pursuant to
22 section one hundred thirty-three of this article and applicable regu-
23 lations.

24 § 6. Severability. If any clause, sentence, paragraph, subdivision,
25 section or part of this act shall be adjudged by any court of competent
26 jurisdiction to be invalid, such judgment shall not affect, impair, or
27 invalidate the remainder thereof, but shall be confined in its operation
28 to the clause, sentence, paragraph, subdivision, section or part thereof
29 directly involved in the controversy in which such judgment shall have
30 been rendered.

31 § 7. This act shall take effect on the one hundred eightieth day after
32 it shall have become a law. Effective immediately, the addition, amend-
33 ment and/or repeal of any rule or regulation necessary for the implemen-
34 tation of this act on its effective date are authorized to be made and
35 completed on or before such effective date.