

# STATE OF NEW YORK

10698--B

## IN ASSEMBLY

March 20, 2026

Introduced by M. of A. DAIS, PEOPLES-STOKES, LUPARDO, ZACCARO, STIRPE, LEVENBERG, TAYLOR, STERN, CONRAD, McMAHON, KELLES, KASSAY, KAY, LUNSFORD, JACKSON, BURROUGHS, DAVILA, KIM, DE LOS SANTOS, STECK, ALVAREZ, LUCAS, SIMONE, O'PHARROW, VANEL, HEVESI, CHANDLER-WATERMAN, HOOKS, McDONOUGH -- read once and referred to the Committee on Economic Development -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee -- again reported from said committee with amendments, ordered reprinted as amended and recommitted to said committee

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

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. Subdivision 1 of section 136 of the cannabis law is amended to  
15 read as follows:  
16 1. "Illicit cannabis" means and includes:  
17 (a) any cannabis flower, concentrated cannabis and cannabis product on  
18 which any tax required to have been paid under any applicable state law,  
19 has not been paid;

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

LBD14524-11-6

1 (b) cannabis or cannabis products sourced from a person or entity not  
2 licensed or authorized to engage in such practices under this chapter;  
3 or

4 (c) cannabis and cannabis products imported into New York state.

5 1-a. Illicit cannabis shall not include any cannabis lawfully  
6 possessed in accordance with this chapter or the penal law.

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

9 § 125-a. Cannabis inversion. 1. "Cannabis inversion" means any act or  
10 omission involving illicit cannabis.

11 (a) This section shall apply to a registrant, licensee, permittee,  
12 or laboratory testing facility licensed or authorized under this chap-  
13 ter.

14 (b) No registrant, licensee, permittee, or laboratory testing facili-  
15 ty, and no person acting on behalf of any such registrant, licensee,  
16 permittee, or laboratory testing facility, shall engage in cannabis  
17 inversion or the following acts:

18 (i) utilize a fraudulent, misleading, or materially unreliable certif-  
19 icate of analysis;

20 (ii) falsify or omit required inventory, testing, transfer, tracking,  
21 or chain of custody records as required under this chapter or regu-  
22 lations promulgated thereto;

23 (iii) possess cannabis or cannabis products without valid records or  
24 documentation demonstrating the complete chain of custody in accordance  
25 with section seventy-eight of this chapter and the regulations promul-  
26 gated thereto; or

27 (iv) sell, transfer, or offer for sale illicit cannabis or cannabis  
28 products to any registrant, licensee, or permittee.

29 (c) For purposes of subparagraph (iii) of paragraph (a) of this subdivi-  
30 sion, where electronic inventory records are missing or inadequate to  
31 demonstrate the complete chain of custody, a licensee shall have the  
32 burden of proof and may present video or photographic evidence to be  
33 considered by the board to overcome the presumption that such product is  
34 illicit cannabis.

35 2. (a) Any violation of this section shall constitute cause for disci-  
36 pline pursuant to section one hundred thirty-three of this article and  
37 any applicable regulations.

38 (b) Any violation of this section may be subject to a civil penalty of  
39 not more than ten thousand dollars for each day during which such  
40 violation continues and an additional civil penalty in an amount of no  
41 more than five times the revenue from the prohibited sale of illicit  
42 cannabis or, an amount of no more than three times the projected reven-  
43 ue for any illicit cannabis found in the possession of such person in  
44 violation of this section.

45 (c) Illicit cannabis or cannabis products shall be subject to seizure,  
46 forfeiture, and destruction in accordance with subdivision five of  
47 section one hundred thirty-two of this article and any regulation  
48 promulgated thereto.

49 3. (a) The office may submit a request to the board for the issuance  
50 of an order of suspension pending investigation against a registrant,  
51 licensee, permittee, or laboratory testing facility in accordance with  
52 the formal hearing and notice requirements in section seventeen of this  
53 chapter. The office shall provide with its request to the board: (i) the  
54 formal written finding by the office that there are reasonable grounds  
55 to believe the registrant, licensee, permittee, or laboratory testing  
56 facility is engaged in cannabis inversion and stating the rationale for

1 its finding; and (ii) documentation to support the written finding in  
2 subparagraph (i) of this paragraph.

3 (b) The office shall retain records of all requests to the board for  
4 the suspension of a license, permit or registration pending investi-  
5 gation under this section along with any written findings and documenta-  
6 tion to support such findings in accordance with applicable law and  
7 regulations.

8 § 5. Subdivision 2 of section 133 of the cannabis law is amended to  
9 read as follows:

10 2. There shall be a rebuttable presumption of revocation for the  
11 following causes:

12 (a) conviction of the registered organization, licensee, permittee or  
13 [~~his or her~~] their agent or employee for selling any illicit cannabis on  
14 the premises registered, licensed or permitted; [~~or~~]

15 (b) for transferring, assigning or hypothecating a registration,  
16 license or permit without prior written approval of the office[]; or

17 (c) laboratory testing facility submission, use, or issuance of a  
18 fraudulent or materially unreliable certificate of analysis in further-  
19 ance of cannabis inversion.

20 § 6. Subdivisions 3 and 8 of section 17 of the cannabis law, subdivi-  
21 sion 3 as amended by section 6 and subdivision 8 as amended by section 8  
22 of part G of chapter 55 of the laws of 2024, are amended to read as  
23 follows:

24 3. Notice and right of hearing as provided in the state administrative  
25 procedure act shall be served at least fifteen days prior to the date of  
26 the hearing, provided that, whenever because of danger to the public  
27 health, safety or welfare it appears prejudicial to the interests of the  
28 people of the state to delay action for fifteen days or with respect to  
29 a violation of subdivision one or one-a of section one hundred twenty-  
30 five of this chapter or with respect to a violation of section one  
31 hundred twenty-five-a of this chapter, the board may serve the respond-  
32 ent with an order requiring certain action, the cessation of certain  
33 activities, [~~or~~] the sealing of a premises immediately or within a spec-  
34 ified period of less than fifteen days, or the temporary suspension of  
35 the license, permit or registration for a period of thirty days or less  
36 with respect to a request by the office for an order of suspension pend-  
37 ing investigation for a violation of section one hundred twenty-five-a  
38 of this chapter, in accordance with the provisions of this chapter.  
39 Whenever a notice of violation or order has been served, including an  
40 order to seal, the respondent shall be provided an opportunity to  
41 request a hearing pursuant to the procedures established by the office  
42 and in accordance with the state administrative procedure act and the  
43 provisions of this chapter.

44 8. Following a hearing, the board may make appropriate determinations  
45 and issue a final order in accordance therewith; provided that if the  
46 board grants the office request for an order of suspension pending  
47 investigation for a violation of section one hundred twenty-five-a of  
48 this chapter, such order of suspension shall be limited to a period of  
49 thirty days. Any such order may include financial penalties as well as  
50 injunctive relief, including an order to seal a premises in accordance  
51 with section one hundred thirty-eight-b of this chapter. The respondent  
52 and the office shall have thirty days to submit a written appeal to the  
53 board. If any party fails to submit a written appeal within thirty days  
54 of the determination of the board the order shall be final.

1 § 7. Subdivision 10 of section 17 of the cannabis law, as renumbered  
2 by section 7 of part G of chapter 55 of the laws of 2024, is renumbered  
3 subdivision 11 and a new subdivision 10 is added to read as follows:

4 10. (a) A registrant, licensee, permittee, or laboratory testing  
5 facility subject to an order of suspension pending investigation issued  
6 pursuant to subdivision eight of this section, shall have the right to  
7 request the board to review any final determination of the investigation  
8 conducted by the office.

9 (b) The board is prohibited from extending a suspension pending inves-  
10 tigation beyond the thirty days set forth in subdivision eight of this  
11 section.

12 (c) The board is prohibited from issuing a subsequent suspension based  
13 on the same facts used in a prior issued order of suspension pending  
14 investigation.

15 (d) A registrant, licensee, permittee, or laboratory testing facility  
16 may only be found in violation of a suspension order after service of  
17 notice is effectuated in accordance with this section.

18 (e) This subdivision shall not be construed as to prevent the enforce-  
19 ment of any other penalty or remedy authorized by this chapter.

20 § 8. Subdivision 1 of section 138-a of the cannabis law, as added by  
21 section 20 of part UU of chapter 56 of the laws of 2023, is amended to  
22 read as follows:

23 1. order any person who is unlawfully cultivating, processing,  
24 distributing or selling cannabis, cannabis product, cannabinoid hemp or  
25 hemp extract product, or any product marketed or labeled as such in this  
26 state without obtaining the appropriate registration, license, or permit  
27 therefor, or engaging in cannabis inversion or in an indirect retail  
28 sale to cease such prohibited conduct;

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

36 § 10. This act shall take effect on the one hundred eightieth day  
37 after it shall have become a law. Effective immediately, the addition,  
38 amendment and/or repeal of any rule or regulation necessary for the  
39 implementation of this act on its effective date are authorized to be  
40 made and completed on or before such effective date.