

Nevada Proposes to Add a Whistleblower Provision to Existing Cannabis Law

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Nevada lawmakers have proposed to take a page from the False Claims Act and add a whistleblower provision to existing cannabis law. Section 6 of [Assembly Bill 413](#) (AB 413) would require Nevada's Cannabis Compliance Board (CCB) to establish regulations that reward persons who provide material information to the CCB that results in recovery of civil penalties by the Attorney General. Whistleblowers stand to receive 15-30% of the civil penalty recovered. Currently, the civil penalty imposed on persons who engage in the unlicensed cultivation, manufacturing, distribution, or sale of cannabis is capped at \$50,000. AB 413 would raise that ceiling to \$10 million.

The civil penalty targets both those who engage in unlawful cannabis activity and those who enable such activity online. That is, persons who operate internet websites or online services and either knowingly allow unlicensed cannabis activity online, or receive compensation for unlawful cannabis advertising online, are also liable for a civil penalty not to exceed \$10 million.

In 2020, the Nevada Cannabis Association [estimated](#) that between 70 percent and 80 percent of cannabis sales in the state arose from the unregulated market. If passed, AB 413 will provide a powerful and effective tool to combat the problem many states grapple with today: continued proliferation of the unlawful cannabis market driven by the higher price of highly taxed, lawfully sold cannabis.

The Board shall adopt regulations establishing a program to provide for the payment of rewards to persons who provide material information to the Board that results in the commencement of a civil action and the recovery of a civil penalty by the Attorney General at the request of the Board pursuant to section 3 of this act.

<https://www.leg.state.nv.us/App/NELIS/REL/82nd2023/Bill/10370/Text>

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