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I-Team: Alleged Tobacco Scam Costs Taxpayers Millions

By WBZ-TV Chief Correspondent Joe Shortsleeve

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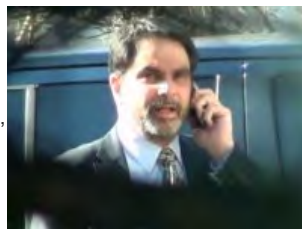
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BOSTON (CBS) – Nobody likes paying taxes, but the I-Team found one man who has allegedly made a fortune dodging the tax man. What is more outrageous, he is doing it by moving cancer causing products into the state.

Syed Imran Bokhari is a wealthy Connecticut businessman who owns expensive homes, hotels in Connecticut and Wisconsin, and a Bentley and a Rolls Royce worth nearly a half a million dollars.

Bokhari has made much of his fortune moving large amounts of tobacco products from Pennsylvania, where there is no tax, into New England where taxes are as high as 90 percent.



But the I-Team has learned Bokhari is now under federal investigation for allegedly scamming taxpayers out of tens of millions of dollars of unpaid tobacco taxes.

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Jeff Cohen, a lawyer for the U.S. Bureau of Alcohol, Tobacco and Firearms, agreed to talk with the I-Team, but would not discuss the Bokhari case specifically.

"All I can say is that what we do at ATF is we target the largest organizations that are involved in interstate trafficking of untaxed tobacco products," Cohen said.

And that's why last spring federal agents from ATF, the FBI and Homeland Security raided a dozen locations connected to Bokhari, including a warehouse in Scranton, Pennsylvania and five distributors in Connecticut and Massachusetts.

Records in federal court in Boston, obtained by the I-Team, show the feds seized 267 pallets of smokeless tobacco, cigars and loose tobacco — what authorities call "Other Tobacco Products," or "OTP" — ready for sale to shops all over New England.

And the federal government alleges no one was paying tobacco taxes — not the wholesaler and not the retailers.

"The stores are buying these things for half price," said Cohen, speaking in general about these kinds of cases. "They sell them for less than their competitors and they take the rest of the money and they pocket that money."

Bokhari, who has not been charged with a crime, would not talk to the I-Team, but his lawyer, Martin Weinberg did.

"Syed Bokhari is a person completely innocent of any wrong doing," said Weinberg. "This is some far-fledged, unprecedented, and again I contend, unprincipled theory that the supplier is liable for his customers' tax failures."

Asked about the government's contention that the "customers" involved were actually part of Bokhari's operation, Weinberg said: "That's sheer mythology."

Federal investigators told the I-Team that states lose billions of dollars in schemes like these. But it's not only lost tax revenue they're concerned about. There's also a real health concern, because inexpensive tobacco products are very attractive to young people.

"If it's cheap we know kids will be more likely to use it," said Dr. Lauren Smith, acting commissioner of the Massachusetts Department of Public Health.

"The fact that there would be an opportunity for these products to

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come into the state without having the additional tax means that they're going to be more accessible," she said.

Filings in the related federal civil action reveal that investigators have also considered criminal charges against Bokhari and his associates, including wire fraud and money laundering.

In the five months since Bokhari's tobacco operation was effectively shut down by the federal raids, the Massachusetts Department of Revenue says tax collections in the state on smokeless tobacco, cigars and loose tobacco have increased by more than \$4 million.



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