

\$1.8 Million Dollar Cigarette Conspiracy Bust In Overland Park

<http://www.kttn.com/kgozfm/modules/news/article.php?storyid=110898>

\$1.8 Million Dollar Cigarette Conspiracy Bust In Overland Park

News

Posted by : Randy

Posted on : 2013/12/12 6:22:02

Randall H. McColley, 67, of Overland Park, waived his right to a grand jury and pleaded guilty before U.S. District Judge Howard F. Sachs to a federal information that charges him with conspiracy to traffic in contraband cigarettes.



McColley operates Creative Marketing Solutions LLC, a licensed Kansas tobacco wholesaler. McColley admitted that he and an unindicted co-conspirator (who is not identified in court documents) purchased contraband cigarettes from undercover agents of the Bureau of Alcohol, Tobacco, Firearms and Explosives.

Between May 2011 and February 2012, ATF undercover agents sold 108,120 cartons of contraband cigarettes to McColley and the co-conspirator for \$1,831,015. The cigarettes were either delivered from the ATF undercover warehouse in Kansas City, Mo., to McColley's residence (and place of business), or were picked up by McColley. McColley transported the contraband cigarettes to the co-conspirator in El Dorado, Kan.

McColley and this co-conspirator filed false monthly cigarette transaction reports to the states of Missouri and Kansas from May 2011 through March 2012. At no point during the conspiracy was the Kansas or Missouri excise tax paid on the Marlboro cigarette transactions. The total state excise tax lost to the state of Missouri was approximately \$91,902.

Federal, Kansas and Missouri law requires that tax stamps be affixed to cigarette packages prior to their sale to retailers or consumers reflecting that the required state taxes have been paid. Cigarette packages without the appropriate stamps are considered to be unstamped and a quantity in excess of 10,000 unstamped cigarettes is considered contraband cigarettes.

Kansas charges an excise tax of \$7.90 per carton (\$ 0.79 per pack). Missouri levies an excise tax of \$0.17 on a pack of 20 cigarettes. There are also other county and municipal taxes levied in Missouri. Jackson County levies an excise tax of \$0.05 on a pack of 20 cigarettes. The city of Kansas City levies an excise tax of \$0.10 on a pack of 20 cigarettes. The combined tax on a pack of cigarettes would be \$0.32 per pack in Kansas City, Jackson County.

Under federal statutes, McColley is subject to a sentence of up to five years in federal prison without parole, plus a fine up to \$250,000. A sentencing hearing will be scheduled after the completion of a presentence investigation by the United States Probation Office.

This case is being prosecuted by Assistant U.S. Attorneys Paul S. Becker and Justin G. Davids. It was investigated by Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF), IRS Criminal Investigation, the Federal Deposit Insurance Corporation Office of Inspector General and the Kansas City, Mo., Police Department.