



NEWS RELEASE

Internal Revenue Service - Criminal Investigation
Los Angeles Field Office
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Palm Springs Business Owner Sentenced to Eight Months Imprisonment for a Federal Excise Tax Violation

Los Angeles – The owner and former chief executive officer of Air Royale International, Inc., a private air charter business, was sentenced today to eight months in federal prison for his failure to pay the Internal Revenue Service excise taxes that he collected from his clients.

Wayne John Rizzi, 57, of Palm Springs was sentenced this morning by United States District Judge George H. Wu, who also ordered Rizzi to pay restitution of \$460,498 to the IRS. In sentencing the Defendant, the Court rejected his request for probation and indicated that a sentence of incarceration would deter others from committing similar criminal conduct.

Rizzi pleaded guilty in June to one count of failing to pay over federal excise taxes imposed on air travel.

According to the plea agreement filed in the case, in his capacity as president, CEO and owner of Air Royale, Rizzi understated Air Royale's excise tax liability on tax returns filed for each of the five taxable quarters ending December 31, 2008 through December 31, 2009, and caused Air Royale to not file any quarterly excise tax returns for the entire year of 2010. During the time period from October 1, 2008, through December 31, 2010, Air Royale collected excise tax from its customers totaling \$489,784, but failed to pay this amount over to the IRS. In actuality, Air Royale paid to the IRS only \$29,286, failing to report and pay \$460,498 of the excise taxes collected.

The charge to which Rizzi pleaded guilty relates to the excise taxes imposed on air transportation provided by Air Royale to its customers during the fourth quarter of 2008. During this period, Air Royale collected \$94,990 from its customers, but paid to the IRS only \$23,137 of the collected tax.

According to additional documents filed with the court, Rizzi used the diverted funds held in trust for his personal benefit, including diverting more than \$88,848 in Air Royale funds to pay gambling debts; making payments of \$88,676 on luxury car loans, including a Bentley, BMW, Infiniti, and Lincoln; and spending \$73,266 on personal expenses, including expenses toward the upkeep of his million dollar Palm Springs home and other unrelated business.

The federal internal revenue laws impose an excise tax on the transportation of persons by air. The tax is calculated as a percentage of the amount of the airfare paid by the person purchasing the air transportation, plus a flat fee for each "domestic segment" of the travel. The excise tax is imposed on the purchaser of the transportation, but is collected and held by the seller of the transportation. The collected tax is required to be paid over to the IRS on a periodic basis.

The investigation of Rizzi was conducted by IRS Criminal Investigation in Los Angeles in conjunction with the Tax Division of United States Attorney's Office.

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