



## R Sheet On

# 2024 Virginia Senate Bill 168: Food-to-Beverage Liquor Ratio for Restaurants

## Background

Virginia’s food-to-beverage ratio for liquor sales at restaurants traces its roots back to the Prohibition era. After Prohibition was repealed in late 1933, Virginia adopted the [Alcoholic Beverage Control \(ABC\) Act](#), which limited spirit sales to only state-run liquor stores to prevent the return of bars and saloons.

It wasn’t until the 1960s that lawmakers started to consider changes to the state ABC Act to allow the sale of liquor in licensed restaurants. In 1968, the law was revised to permit the sale of spirits at licensed restaurants in localities that adopted referendums. Still, [the public continued to have concerns about the resurrection of saloons](#), so the food-to-beverage ratio was enacted to curtail excessive imbibing and limit the sale of liquor to full-service dining establishments.

Initially, more food than alcoholic beverage sales were required. Beer and wine sales were counted toward the ratio, and appetizers and desserts were not counted toward food sales. In the 1980s, Virginia adopted the [45 percent food-to-55 percent drink ratio](#) and permitted more food items to count toward the ratio. In 1990, beer and wine sales were removed from the ratio. Since then, the Virginia General Assembly has attempted to amend or repeal the law multiple times.

[Senate Bill 168](#) is the most recent effort to adjust the food-to-beverage ratio in Virginia. It would reduce the ratio from 45-55 to 35-65 for restaurants with monthly food sales between \$4,000 and \$10,000 and abolish the ratio for restaurants with sales above the \$10,000 threshold.

## Current Debate

Virginia’s alcohol laws have undergone many changes over the past several years. Restaurants can now promote “[happy hours](#)” for alcohol sales; alcohol can be consumed in public outdoor spaces like [shopping centers](#) and [main street districts](#); restaurants are permitted to [sell to-go alcohol](#); and the referendum process governing the sale of mixed beverages was changed from defaulting to [prohibiting their sale](#) to defaulting to allowing their sale, thereby eliminating the last dry counties in Virginia—unless county voters specifically act to carve out mixed beverages.

Despite the liberalizing of Virginia’s alcohol laws, the food-to-beverage ratio governing liquor sales at restaurants has remained—even in the face of shifting consumer preferences. In fact, trends indicate that consumers are seeking out [high-end products](#), but dining establishments that specialize in [premium cocktails](#) have struggled to comply with the food-to-beverage ratio. This is problematic because restaurants that violate the ratio can face [license revocation](#) and stiff financial penalties. The complexity of this ratio also requires many restaurants to hire staff or [outside firms](#) to ensure compliance, costing the business additional money.

## Summary

- Virginia’s food-to-beverage ratio has been in effect since the legalization of liquor sales at dining establishments but has been modified over the years to exclude beer and wine.
- When the price of liquor goes up at state-run liquor stores, as it did in 2014, restaurants are forced to raise food prices to maintain a food-to-beverage sales revenue ratio that accounts for the increased liquor cost.
- Establishments that have had to make significant upfront capital investments to comply with the ratio are concerned about protecting their investments.
- Virginia lawmakers should adopt Senate Bill 168 to rein in the food-to-beverage ratio for liquor sales at dining establishments.

Another important facet of this issue is that Virginia operates state-run liquor stores, thereby controlling the price of spirits. When the [state faces budget shortfalls](#), lawmakers have been known to increase liquor prices to help fill the gaps. In response, restaurants are forced to increase food prices to account for the increase in liquor prices so they can continue to meet the food-to-beverage sales revenue ratio. As a result, even nondrinkers end up paying more to dine out—thus creating a stealth tax on food in the commonwealth.

While the intent of the ratio is to curtail [excessive alcohol consumption](#), it ironically incentivizes the sale of inexpensive liquor, as the ratio is calculated from gross receipts. Though some restaurants would like to see the [ratio remain unchanged in perpetuity](#), it is typically because they have [incurred significant costs to enter the market](#), building out full commercial kitchens that enable them to serve the dishes required to meet the food-to-beverage ratio.

With the bill having cleared the Senate unanimously, the fate of Senate Bill 168 rests with the House of Delegates' Committee on General Laws, which must consider its merits. If the House passes the bill and it is signed by the governor, the measure will be a landmark change to Virginia's alcohol policy.

## Action Items

By lifting the food-to-beverage ratio, consumers could see an uptick in establishments that specialize in higher-end craft cocktails. These businesses currently are few and far between in Virginia because it is not feasible to meet the food-to-beverage ratio when selling high-end spirits like Macallan M, which goes for about \$2,000 a glass—not to mention other quality spirits that can range anywhere from \$20 to several hundred dollars for a pour. In addition, reforming the ratio would act as a relief valve, ensuring that restaurants wouldn't feel compelled to raise their food prices just to account for higher liquor prices. As a result, consumers—both those who drink and those who don't—would see lower prices and a wider range of options at their local dining establishments.

Restaurants would also stand to benefit from this proposal, as they would no longer be subject to an arbitrary requirement that requires extensive bookkeeping to compare liquor-to-food sale ratios or have to prove compliance to avoid penalties. Also, because beer and wine aren't subject to the food-to-beverage ratio, the legislation would bring consistency to the way different alcoholic beverages are sold. Under the current framework, a Virginia brewpub could sell an unlimited number of Sam Adams Utopias (at 28 percent ABV) without having to worry about the ratio; but if they served two glasses of high-quality whiskey mixed with soda (which likely would sit at about 10 percent ABV), they could become crossways with the ratio.

Additionally, a [2022 law](#) allowed Virginia to exempt a limited number of casinos and gaming establishments, enabling them to operate without the same food-to-beverage ratio requirements that restaurants must comply with. This gives these establishments a competitive advantage over nearby restaurants, as they are able to offer complimentary and high-end beverages without worrying about maintaining a ratio.

Given these challenges, it's time that lawmakers continue to reform our alcohol laws. The food-to-beverage ratio—an outdated vestige of the Prohibition era—is ripe for change.



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