

Insights, News & Events

IS COLORADO GETTING COLD FEET ABOUT AI REGULATION? NEW BILL WOULD LOOSEN GROUNDBREAKING LAW SET TO TAKE EFFECT NEXT YEAR

Insights
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Now that we're less than a year away from Colorado having the nation's most stringent set of laws regulating the use of artificial intelligence in the workplace and elsewhere, some lawmakers are asking whether it's better to take a step back and cool the jets. A new bill just introduced in the state legislature on Monday would not only delay the implementation date until 2027 but would also widen the group of AI users that would be exempted from the law's grip. But there's less than a week to go until the 2025 session wraps up, so time is limited if lawmakers want to make these changes before February 1, 2026 effective date. What do you need to know about SB 318 and what are the chances of it blunting Colorado's groundbreaking AI law?

[Editor's Note: SB 318 failed. This means Colorado's AI law is still slated to take effect on February 1, 2026.]

Quick Summary of AI Law

The law passed last year will prohibit employers from using AI to discriminate against their workers and require companies to take extensive measures to avoid such algorithmic discrimination. The law will also impose broad rules on developers of high-risk AI systems and the businesses that use them. It is slated to take effect on February 1, 2026 – less than a year from now.

[You can read a full summary of the law here.](#)

Cracks Quickly Emerged – And Just Grew Bigger

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Governor Polis signed the bill into law last May but expressed concerns about its potential impact on innovation and competitiveness. In a signing statement issued on May 17, 2024, Polis acknowledged the importance of preventing AI-driven discrimination – but warned that the law’s broad regulatory framework could stifle technological advancement in Colorado. He urged lawmakers to revisit their law in the 2025 session.

Meanwhile, an Artificial Intelligence Impact Task Force formed to study and recommend potential legislative refinements issued a report in February highlighting areas of the law it believed could be revised. It strongly recommended that policymakers continue discussions to address some major concerns before the law takes effect.

[You can read a full summary of the report here.](#)

Enter SB 318 – A First Step Towards Compromise

With just days left in Colorado’s legislative session, lawmakers dropped a significant new proposal designed to narrow and soften the original law. Here’s what [SB 318](#) would do if passed:

■ *Delays the Law’s Effective Date*

Pushes enforcement back from February 1, 2026, to January 1, 2027, giving employers and developers more breathing room to assess and adapt – and giving lawmakers another year to tinker with (or scrap) the law.

■ *Narrows Key Employer Obligations*

Removes the requirement that businesses notify the Attorney General of “known or foreseeable risks” of algorithmic discrimination. It also limits the rules around AI in hiring to more narrowly defined circumstances – offering relief for employers who use automated tools in recruitment and candidate sourcing.

■ *Reduces Consumer Rights to Contest AI Decisions*

The current law lets individuals contest decisions where AI was a “substantial factor.” SB 318 raises that bar, requiring that AI be the “principal basis” for the decision before triggering appeal rights, which makes it harder to challenge workplace actions.



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- ***Expands Exemptions for AI Developers***

Exempts startups and small developers with less than \$10 million in outside investment and under \$5 million in annual revenue – if they've been operating for fewer than five years. Developers that release open model weights (making the inner workings of their AI systems publicly available) would also be exempt from key obligations.

- ***Scales Back Assessment Duties***

Developers and deployers would still have to conduct risk assessments, but the requirements would shift to focus more narrowly on areas like accessibility, labor law violations, and deceptive trade practices.

What's Next for Employers?

SB 318 is a clear sign that lawmakers are hearing the concerns from employers and developers alike, and may be willing to ease up before the country's most aggressive AI law kicks in. But the future remains uncertain. Here's what employers should do as we wait for next steps:

- **Track the Bill's Progress:** The legislature has until May 7 to pass the bill. A fast-tracked process is likely, but not guaranteed. We'll track the progress and update you should events warrant, so make sure you are subscribed to [Fisher Phillips' Insight System](#) to receive the most up-to-date information.
- **Review Existing AI Use:** Even with potential delays, you should begin assessing where AI is used in recruitment, promotion, and employment decisions, and whether those tools could trigger legal scrutiny.
- **Don't Bank on a Full Reversal:** Even if SB 318 passes, the core goal remains: preventing AI-based discrimination. Risk assessments, transparency, and human oversight will remain essential. Read [AI Governance 101: The First 10 Steps Your Business Should Take](#) in order to plot out a course for your organization.

Want to Learn More About AI?

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Conclusion

If you have any questions, contact your Fisher Phillips attorney, the authors of this Insight, any attorney in [our Denver office](#), or any attorney in our [AI, Data, and Analytics Practice Group](#).