

Insights, News & Events

COLORADO GOVERNOR CALLS SPECIAL SESSION TO REVISIT GROUNDBREAKING AI LAW: 3 POSSIBLE PATHS WE FORESEE

Insights
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Colorado Governor Jared Polis just called for a special legislative session starting August 21 to revisit the state's landmark artificial intelligence law, signaling that employers and businesses may gain a reprieve from what is slated to be the nation's most restrictive AI law. The law, set to take effect February 1, 2026, would impose first-in-the-nation restrictions on high-risk AI systems used in employment and other consequential decisions. But growing concerns from industry, regulators, and lawmakers triggered yesterday's push by the Governor to pause, revise, or fine-tune the legislation before the clock runs out. Here's what's happening, the three possible paths we foresee during this session, and what your organization should be watching for.

[Ed. Note: Colorado lawmakers agreed on August 26 to postpone the effective date of the AI law from February 1, 2026, to June 30, 2026, in the hopes of having more time to make substantive revisions to the law during the regular 2026 legislative session. [Read more here.](#)]

A Quick Recap: What Will Colorado's AI Law Actually Do?

Signed in May 2024, SB 205 sets out a comprehensive framework to curb algorithmic discrimination in employment, housing, lending, and a slew of other areas. [You can read a full summary of the law by clicking here](#), but here's a quick recap:

The law will apply to both AI developers and deployers. Most critically for employers, it will apply to businesses that use AI tools to make hiring, promotion, or other employment-

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related decisions. Common high-risk employment tools may include AI-driven resume screeners, candidate assessments, and background scoring systems.

Key requirements include:

- **Impact assessments** to evaluate risks of algorithmic discrimination
- **Documentation and recordkeeping**
- **Consumer notice and appeal rights** when AI is used
- **Website disclosures** about high-risk AI use
- **Risk management programs** to mitigate bias
- **Developer transparency obligations** for systems sold into the state

Small businesses and low-risk use cases may qualify for exemptions, but the law's broad reach means many employers will need to evaluate compliance well before the 2026 deadline.

Why the Special Session – and Why Now?

Polis had previously signed the bill with a public call for legislative “fine-tuning.” But state lawmakers failed to make adjustments before adjourning in May, prompting the governor to now take action himself. In announcing the special session, he expressed openness to delaying the law's implementation and working toward a more “workable and equitable” framework. [Read more here.](#)

Here's what changed:

- **Industry pushback** has intensified, with business groups warning that the current law could drive innovation out of Colorado.
- **The state AI task force** warned in February that the law's terminology and compliance burdens could overwhelm smaller employers and create uncertainty for developers. [Read more here.](#)
- **A failed amendment bill (SB 318)** would have delayed the law and narrowed its scope, but it never made it to the governor's desk. [Read more here.](#)



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- **Fiscal pressure from federal tax changes** has added urgency to clear up legal uncertainties that could affect economic development.

What Might Happen Next? 3 Options on the Table

As lawmakers return to Denver, the special session must last at three days (which is the minimum required to pass a bill in Colorado), but it is expected to last longer. Here are the most likely paths this session could take:

1. Delay Implementation

- **What it means:** Push the effective date from February 1, 2026, to January 1, 2027, or later.
- **Why it matters:** Would give policymakers more time to clarify ambiguities and businesses more time to prepare, especially as it concerns compliance obligations that exceed other states' or international frameworks.
- **What to watch:** Gov. Polis and several industry groups have openly supported this option.

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2. Refine the Law

- **What it means:** Keep the 2026 date but pass amendments to clarify definitions (e.g., "consequential decision"), ease documentation rules, or expand small business exemptions.
- **Why it matters:** This approach could preserve consumer protections while lowering compliance burdens.
- **What to watch:** Consumer advocacy groups and some lawmakers are signaling resistance to major changes.

3. Leave It As-Is

- **What it means:** No legislative changes, and the law takes effect February 1, 2026, as currently written.
- **Why it matters:** Employers would need to fully comply with the current requirements, despite outstanding

questions.

- **What to watch:** Senate Majority Leader Robert Rodriguez (the bill's original sponsor) has stated he opposes changes unless stakeholders "come to the table willing to negotiate in good faith."

What Employers Should Do Now

With the law still on track and a pivotal special session approaching, Colorado employers should:

- **Monitor developments closely.** Any changes will likely move quickly once the session begins. Make sure you are subscribed to [Fisher Phillips' Insight System](#) to receive the most up-to-date information directly to your inbox.
- **Review your AI use cases.** Identify whether any systems qualify as "high-risk" under SB 205.
- **Coordinate with vendors.** Many obligations fall on developers, but employers will need documentation and cooperation from vendors to meet deployer requirements. [Check out the essential questions you should be asking them here.](#)
- **Assess internal readiness.** If no changes are made, compliance preparations will need to ramp up in 2025. Companies located outside of Colorado whose AI tools impact Colorado applicants may trigger compliance obligations.

Conclusion

We will continue to monitor the situation and provide updates as they unfold. Make sure you are subscribed to [Fisher Phillips' Insight System](#) to receive the most up-to-date information directly to your inbox. For more information, 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](#).