



# Colorado Lawmakers Propose Watered-Down AI Law – But Employers Would Still Face Real Risks

Insights

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Colorado lawmakers are back at the Capitol this week considering whether to water down the nation's first comprehensive AI law – and it appears that AI developers could be the big winners while employers would still be saddled with sweeping new obligations. The groundbreaking law is scheduled to take effect February 1, 2026, but legislators are back in town for a special session that began yesterday to potentially change things up. Under pressure from industry groups and Governor Jared Polis, lawmakers are weighing a compromise measure that would reduce compliance burdens on developers but maintain core anti-bias obligations for employers and businesses. What do you need to know about this new proposal – and what should you do to prepare?

## Background Reading

To get up to speed on the original law's passage and why the Governor convened a special legislative session, read more here:

- [Colorado Lawmakers Pass Landmark AI Discrimination Bill – and Employers Across the Country Should Take Notice](#) (May 2024)
- [Colorado Governor Calls Special Session to Revisit Groundbreaking AI Law: 3 Possible Paths We Foresee](#) (Aug 7, 2025)

## What's Changing Under the Proposed Compromise

Colorado Senate Majority Leader Robert Rodriguez and Rep. Brianna Titone just circulated draft legislation for the special session in hopes of passing a compromise. Here are the key proposed changes:

### *Good News for AI Developers and Businesses*

- **Businesses off the hook for assessments:** The original law will require those businesses and employers that deploy AI systems to conduct bias and risk impact assessments. That proactive duty would be eliminated under this compromise bill.

- **Developers off the hook for reasonable care standard:** The original law also requires developers to use reasonable care to prevent discrimination; this also would be eliminated under the compromise bill.
- **Reduced reporting obligations:** Some of the more onerous reporting and documentation requirements for developers (such as disclosing the known harmful or inappropriate uses of a high-risk AI system and summaries of the type of data used to train it) would be pared back to address innovation concerns.

### ***Risks and Obligations Remain for Employers and Businesses***

- **Employer-facing duties remain:** Businesses using AI in hiring, promotions, monitoring, or other employment functions would still have obligations if automated systems like AI make, inform, or influence a workplace decision. They would need to:
  - **notify** individuals when automated systems are used;
  - provide **details** about the system (name, developer, version number, contact information);
  - inform individuals about the **nature** of the decision and the stage in the decision-making process where the system would be used;
  - provide detailed information about the 20 **personal characteristics** that most substantially influenced any decision within 30 days;
  - provide rights to **appeal** adverse decisions; and
  - allow **corrections** to underlying data.
- **Shared liability:** Instead of developers holding sole liability for AI-related discrimination, both developers and deployers (including employers) would now share responsibility through a “joint and several” liability standard.
- **AI disclosures to the public:** The requirement that businesses ensure consumers know when they’re interacting with generative AI systems like chatbots would remain in the compromise bill.

### **Impact Beyond Colorado’s Borders**

Even employers headquartered outside Colorado may be affected. The proposed law applies to businesses making employment decisions about candidates or employees who reside in Colorado, even if the company is located elsewhere.

This means national or multi-state employers will need to either (a) build a Colorado-specific compliance program, or (b) implement uniform practices across their entire US workforce to avoid running parallel systems. Many large employers are likely to choose the latter approach for operational efficiency, effectively making Colorado’s law a de facto national standard.

### **What’s Next**

The Colorado special session could produce four outcomes:

- 1. Passage of the proposed compromise** (softening obligations but leaving liability intact).
- 2. Passage of the proposed compromise with amendments** (if a bloc of lawmakers can convince a majority to make substantive changes).
- 3. Delay of implementation** beyond February 2026.
- 4. No change**, leaving the original, more aggressive SB 205 in place.

By state law, the special session must last a minimum of three days – but could continue up to a week, depending on legislative progress. Lawmakers are on the record saying they aim to finish before Labor Day weekend, though the session could extend if consensus is slow to form. We'll monitor progress and keep you posted.

### **What Should You Do?**

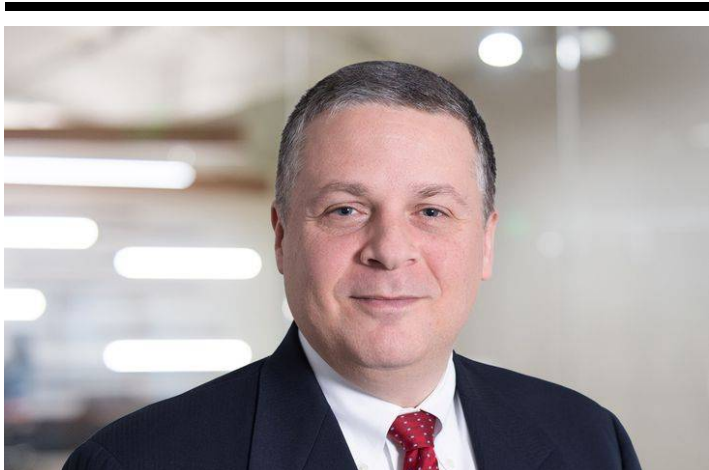
Two things:

- Make sure you are subscribed to [Fisher Phillips' Insight System](#) to receive the most up-to-date information directly to your inbox. We will continue to monitor the situation and provide updates as they unfold.
- Read our most recent summary [with potential action steps here](#) – but be prepared to flex your approach depending on the outcome of this session.

### **Conclusion**

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](#).

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**Michael R. Greco**  
Regional Managing Partner  
303.218.3655  
[Email](#)

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