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‘Big Beautiful Bill’ Leaves AI Regulation to States and Localities … For Now

Law and the Workplace on **July 8, 2025**

On July 4, 2025, President Trump signed the One Big Beautiful Bill Act into law—a budget reconciliation bill enacting several signature policies of the President’s second-term agenda. Left on the cutting-room floor, however, was an ambitious attempt to prohibit nearly all state and local regulation of artificial intelligence (“AI”) for the foreseeable future.

The version of the bill passed by the House of Representatives on May 22, 2025, contained a provision preventing states and localities, for a period of 10 years, from enforcing “any law or regulation … limiting, restricting, or otherwise regulating artificial intelligence models, artificial intelligence systems, or automated decision systems entered into interstate commerce.” Initially, a proposed version of the bill in the Senate included a similar provision that made the moratorium a condition of states receiving any of the $500 million in funds earmarked to support deployment of AI models or systems and underlying infrastructure.

However, the moratorium was ultimately stripped from the bill when it became clear the moratorium lacked majority support.

Thus, the version signed into law leaves states and localities free to continue regulating AI systems, including the use of such systems to make or assist with employment decisions such as hiring, firing, promotions, discipline, evaluations, compensation, and the like. Prominent statutes regulating such uses of AI have passed in Colorado, New York City, and Illinois, and are under consideration in several other states. However, the demise of the moratorium in the budget reconciliation law has renewed calls by some for federal regulation in the space that would prevent a patchwork of state and local laws regulating AI.

We will continue to monitor and report on developments in this space.

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Related Professionals

- **Guy Brenner**
  Partner
- **Jonathan P. Slowik**
  Partner