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Major Developments Put Colorado's AI Law on Ice Ahead of Implementation

Law and the Workplace on **May 11, 2026**

As the June 30, 2026 effective date of Colorado's burdensome AI law rapidly approaches, there are new developments that complicate its implementation and raise questions about whether it will ever be implemented in its current form.

First, on April 27, 2026, a federal magistrate judge stayed enforcement of Colorado's Anti-Discrimination in AI Law (the "CO AI Law"). In addition, Colorado lawmakers have introduced SB 26-189, which would repeal and replace the CO AI Law with a narrower framework governing automated decision-making technology. The bill has already been passed by the Colorado House and Senate, and is being sent to Governor Polis who is expected to sign it.

With these developments, employers should be aware that the CO AI Law will not take effect on June 30, and seems unlikely to ever be implemented in its current form. Employers should continue to monitor this space and be prepared for the likely enactment of the CO AI Law's replacement and for potential further litigation over the AI regulation in Colorado.

The Existing Law

The CO AI Law was signed in 2024, and is the most comprehensive AI law in the country. The law would impose a host of onerous requirements on employers, including implementation of risk management programs, impact assessments, annual reviews, and disclosures regarding algorithmic discrimination. Although it was supposed to go into effect on February 1, 2026, its effective date was postponed to June 30, 2026. For employers, the CO AI Law raised serious compliance concerns because AI tools used in hiring, promotion, compensation, performance management, and other employment decisions triggered its compliance obligations.

The xAI Litigation

On April 9, 2026, xAI filed suit challenging the CO AI Law on constitutional grounds. The DOJ moved to intervene on April 24, 2026 to join xAI's effort to invalidate the law, raising other constitutional challenges.

Then, on April 24, 2026, the Colorado Attorney General joined with the plaintiffs and filed a joint motion stipulating to a temporary stay of the law's enforcement. The motion noted that because of efforts to amend the CO AI Law, "the Attorney General does not intend to promulgate rules implementing [the CO AI Law] or any legislation replacing or amending [the CO AI Law] until the legislative session concludes. Further, the Attorney General does not intend to enforce [the CO AI Law] or any legislation replacing or amending [the CO AI Law] until after the rulemaking process has concluded."

The court's April 27, 2026 order, prohibits enforcement of the law until "14 days after the date the Court issues a ruling on xAI's forthcoming motion for a preliminary injunction," which will be filed "within 28 days after final adoption of rulemaking implementing [the CO AI Law] or any legislation that may replace or amend [the CO AI Law]."

The Proposed Replacement Bill

As we previously reported, on March 17, 2026, the Colorado AI Policy Work Group released a proposed framework that would, if adopted, eliminate many of the CO AI Law's onerous requirements and impose a far narrower framework that would focus on transparency and notice.

On May 1, 2026, Colorado lawmakers introduced SB 26-189, which bears some resemblance to the Colorado AI Policy Work Group's proposed framework. The bill has moved remarkably quickly through the Colorado legislature, passing the Senate on May 7, 2026 and the House on May 9, 2026. Governor Polis is expected to sign the measure into law.

The bill proposes to repeal and reenact the CO AI Law and replace the existing "high-risk AI system" structure with rules for "automated decision-making technology," or ADMT. The bill defines ADMT as technology that "processes personal data and uses computation to generate output," including "predictions, recommendations, classifications, rankings, scores, or other information" used to "make, guide, or assist" a decision about an individual. Not every automated tool would be covered. The bill excludes, among other things, calculators, databases, firewalls, spell-checking, certain spreadsheets, and tools used solely to "summarize, organize, translate, draft, route, or present information for human review of administrative processing."

The bill would apply where ADMT is used to materially influence "consequential decisions," including decisions relating to an individual's access to, eligibility for, selection for, or compensation related to employment. The bill defines "materially influence" to mean the ADMT output is a "non-de minimis factor" in the decision and affects the outcome, including by "constraining, ranking, scoring, recommending, classifying, or otherwise meaningfully altering" how the decision is made.

The bill provides that, beginning January 1, 2027, employers using covered ADMT to materially influence consequential employment decisions would have notice, disclosure, recordkeeping, and review obligations. Deployers would need to retain records "for not less than three years after the date of a consequential decision," provide "clear and conspicuous notice" that they "used or will use" covered ADMT in a consequential decision affecting the individual, and, following an adverse decision, provide within 30 days "a plain language description of the consequential decision and the role the covered ADMT played." Individuals also would have right to request correction of "factually incorrect or materially inaccurate personal data" and seek "meaningful human review and reconsideration," to the extent commercially reasonable.

What Should Employers Do?

Given the injunction issued in the xAI case, employers using AI or automated tools for Colorado applicants or employees have welcome clarity that the CO AI Law will not be enforced on June 30, 2026, and there is a strong likelihood it will never be implemented. Even so, it is possible the new law could be challenged in the xAI litigation, so this saga may not be over.

Employers should continue to monitor this space, given the quickly evolving situation and the other state-level efforts to regulate the use of AI in employment decisions.

Related Professionals

- **Guy Brenner**
  Partner
- **Justin Chuang**
  Associate