Colorado Delays New AI Law

On Aug. 25, 2025, Colorado passed a bill delaying the effective date of the Colorado Artificial Intelligence Act (Act). The Act, which will require businesses to avoid discrimination when using artificial intelligence (AI) for consequential decision-making (such as hiring, termination and other employment decisions), was scheduled to take effect on Feb. 1, 2026. The Act will now take effect **June 30, 2026**.

Act Overview

The Act will regulate the use of AI by **deployers** (i.e., users) and **developers** (i.e., creators) of "high-risk AI systems" doing business in Colorado, with a goal of preventing "algorithmic discrimination." These terms are described as follows:

- **Algorithmic discrimination** occurs when the use of a high-risk AI system leads to differential treatment or impact, disfavoring individuals based on a protected trait (e.g., age, race, disability, religion or sex); and
- **High-risk AI systems** are those that make or are a substantial factor in making consequential decisions, including those affecting employment or an employment opportunity.

Both deployers and developers must use reasonable care to avoid algorithmic discrimination from high-risk AI systems. However, there will be a **rebuttable presumption** that the deployer or developer used reasonable care if it complies with certain requirements under the Act, described below, and additional requirements or obligations set forth by the attorney general.

Deployer Requirements

Typically, employers will be subject to the requirements for deployers. To establish a rebuttal presumption of reasonable care, AI deployers must:

- Implement a risk management policy and program for high-risk AI systems;
- Complete impact assessments of high-risk AI systems at least annually and within 90 days of any major modification to the system;
- Notify consumers (e.g., employees) that the high-risk system will be used to make a consequential decision and issue related disclosures;
- Make a publicly available statement summarizing the types of high-risk systems that the deployer currently uses; and

Highlights

May 17, 2024
Colorado enacted the Act, requiring businesses that use or create AI tools to use reasonable care to avoid discrimination when such tools are used to make consequential decisions.

Aug. 25, 2025
Colorado passed a bill delaying the Act's effective date.

June 30, 2026
The Act takes effect.

Employers now have until June 30, 2026, to comply with Colorado's new AI requirements.

- Disclose the discovery of algorithmic discrimination to the Colorado attorney general within 90 days of discovery.

Deployers may be exempt from certain requirements (other than consumer notice and disclosure requirements) if they:
- Employ fewer than 50 full-time equivalent employees;
- Use the AI system for its intended uses, and the AI system learns based on data derived from sources other than the deployer's own data;
- Do not use their own data to train the AI system; and
- Make certain impact assessment information available to consumers.

Developer Requirements
To establish a rebuttable presumption of reasonable care, AI developers must:
- Make specified information available to deployers and other developers about the AI system;
- Provide a public statement summarizing their AI systems and how they manage risks of algorithmic discrimination;
- Provide deployers with the necessary information and documentation to complete an impact assessment; and
- Disclose all known or reasonably foreseeable risks of algorithmic discrimination to the Colorado attorney general within 90 days of discovery.

Enforcement
The Act does not provide a private right of action, and the Colorado attorney general has the exclusive right of enforcement. The law also grants the Colorado attorney general the right to implement additional rulemaking.

Employer Takeaways
Despite the delayed effective date, employers who use AI tools in making employment decisions may consider reviewing existing AI tools and taking steps now to ensure compliance with the law's broad requirements by June 30, 2026. However, although the rest of the Act still remains unchanged, Colorado Gov. Jared Polis expressed concerns that the law would be too onerous on businesses and encouraged legislators to revise the law to reduce compliance burdens. Therefore, employers should monitor for additional updates to the legislation prior to its new effective date.