

Colorado

Colorado Issues Proposed Rules for AI Legislation

On Aug. 11, 2026, Colorado issued [proposed rules](#) for the [Automated Decision-Making Technology Act](#) (Act), which is scheduled to take effect on Jan. 1, 2027, and governs the use of automated decision-making technology (ADMT) in consequential decisions, including employment decisions. The proposed rules clarify key provisions under the Act. The comment period for the proposed rules ends on Oct. 26, 2026.

Background

On May 14, 2026, Colorado enacted the Act, which replaces a previous artificial intelligence (AI) bill and, compared to the prior law, significantly reduces employers' obligations with respect to the use of ADMT. Under the Act, a **deployer** is a person doing business in Colorado that deploys ADMT that is used to materially influence a consequential decision. A **consumer** includes employees; job applicants residing in Colorado; and any individual whose access to, eligibility for or opportunity in Colorado is evaluated in a consequential decision by a person doing business in Colorado. Therefore, employers that use ADMT in any consequential employment decisions (e.g., hiring or promotion) are considered deployers subject to the Act.

The Act imposes three core obligations on deployers:

1. **Pre-use notice**—Deployers must provide notice that ADMT is being used and how the consumer can obtain additional information;
2. **Adverse outcome notices**—Deployers must provide an adverse outcome notice when ADMT materially influences a consequential decision that results in an adverse outcome; and
3. **Record retention**—Deployers must retain records reasonably necessary to demonstrate compliance for at least three years following a consequential decision, or longer if required under state or federal law.

The Act also imposes obligations on developers of ADMT (i.e., persons who develop, offer, sell, lease, license or otherwise make commercially available ADMT; develop a component to be used as part of ADMT; or intentionally or substantially modify an ADMT so that it is used in consequential decisions).

Proposed Rules

The proposed rules contain detailed guidance to implement the Act. The most relevant provisions of the proposed rules for deployers include the following:

Highlights

May 14, 2026

Colorado enacted the Act, which governs the use of ADMT in consequential decisions.

Aug. 11, 2026

Colorado issued proposed rules to clarify key provisions under the Act.

Oct. 26, 2026

The comment period for the proposed rules ends.

Jan. 1, 2027

The Act takes effect.

Rule 3: Consumer Communications

All notices, disclosures, responses to requests for information, and other disclosures by deployers to consumers must be understandable, straightforward, accurate, accessible to consumers (including those with disabilities), and available in the languages and in the format (including on all devices the deployer uses to interact with consumers) and manner the deployer ordinarily uses to provide information to consumers.

Rule 6: Adverse Outcome Notices

If ADMT materially influences a consequential decision that results in an adverse outcome (e.g., demotion, denial of promotion or termination), the deployer must provide the following within 30 days:

- A plain-language description of the decision and the ADMT's role (including the human reviewer's role);
- The principal reason for the adverse outcome (with specificity);
- The effective date of the adverse outcome;
- Instructions and a simple-to-follow process to request additional information about the ADMT;
- The ADMT version number;
- The ADMT developer;
- The types, categories and sources of personal data used;
- An additional explanation when a decision is based on an inference, profile, risk score, automatic denial factor or insufficient or incomplete personal data; and
- An explanation of consumer rights and how to exercise them.

The adverse outcome disclosure must be provided to the consumer in writing or electronically via at least two methods, if feasible. The disclosure must be made via any channel the deployer typically uses to interact with the consumer.

Rule 7: ADMT Consumer Rights

Upon receiving an adverse outcome notice, consumers may request:

- Instructions for requesting personal data and correcting factually incorrect or materially inaccurate personal data used in a consequential decision that used a covered ADMT; and
- An opportunity for meaningful human review and reconsideration of the consequential decision (if commercially reasonable).

Where possible, an adverse outcome must be stayed pending meaningful human review, which must be acknowledged within 10 days and must be completed, with a response provided to the consumer, within 45 days of receiving the request. The reviewer must be independent of the original decision-maker, where feasible; trained; free from management steering; and protected from retaliation. ADMT may not conduct the review.

Rule 7 also sets forth factors to consider when determining whether meaningful human review is commercially reasonable, including the type of review, the magnitude of harm resulting from the adverse outcome, the reversibility of the adverse outcome, the value provided by the review of available primary evidence, the deployer's size and capacity, the marginal cost and technical feasibility of the review, and the availability of qualified reviewers. When meaningful human review is conducted, deployers must also maintain records documenting the review.

Employer Takeaways

Employers who wish to provide comments to the proposed rules may do so before Oct. 26, 2026. Employers should also monitor for the publication of the final rules.
