



Artificial Intelligence Update

July 2025

Independence Day Brings a Victory for States' Rights; Senate Strikes Down 10-Year Ban on State AI Laws

Key Notes:

- Senate rejects 10-year ban on state AI regulation.
- States retain authority to enact their own AI laws.
- Businesses must navigate varying state-level AI requirements.

As Americans prepare to celebrate Independence Day and the enduring spirit of self-governance, the U.S. Senate has delivered a strong affirmation of states' rights in the fast-evolving world of artificial intelligence. In a dramatic late-night session on July 1, the Senate voted overwhelmingly—99 to 1—to remove a controversial provision from the federal budget bill that would have imposed a decade-long moratorium on state and local regulation of AI. The decision marks a pivotal moment in the ongoing debate over the balance of federal oversight and state autonomy as technology continues to reshape modern life.

A Fireworks Finale for State Authority

The proposed 10-year ban, initially included in the House version of President Trump's "One Big Beautiful Bill," would have prevented states from enacting or enforcing their own AI regulations. Proponents, including several major tech companies, argued that a patchwork of state laws could stifle innovation and complicate compliance for businesses operating nationwide. However, the provision quickly became a flashpoint for criticism from both sides of the aisle, as well as from state officials, consumer advocates, and industry experts.

In the spirit of July 4th, state leaders and advocates rallied around the principle of local self-determination. Governors, attorneys general, and state legislators from across the country voiced strong opposition, warning that the moratorium would tie the hands of states working to protect residents from emerging AI risks—ranging from data privacy breaches and deepfakes to algorithmic discrimination and threats to children's safety.

A Compromise Fizzles, States' Rights Prevail

In the days leading up to the vote, Senate leaders attempted to broker a compromise that would reduce the moratorium to five years and carve out exceptions for child safety and certain copyright protections. Yet, the effort failed to quell the bipartisan backlash.

Ultimately, Senator Marsha Blackburn (R-TN), who had initially supported the compromise, joined forces with Senator Maria Cantwell (D-WA) in introducing an amendment to strike the moratorium entirely. The Senate's decisive vote to remove the ban was hailed as a victory for state sovereignty and consumer protection. State officials and advocacy groups celebrated the outcome, emphasizing that local governments are often best positioned to respond quickly and effectively to the unique challenges posed by AI technologies.

What This Means for Businesses and Policymakers

With the moratorium defeated, states retain the authority to enact and enforce their own AI laws. As a result, the regulatory landscape will continue to evolve through a diverse array of state-level initiatives. States such as California, Colorado, Texas, and Utah have already passed or proposed significant AI and data privacy legislation, with many others expected to follow suit.

For businesses and employers, this development underscores the need to closely monitor state-level regulatory trends and prepare for compliance with differing requirements across jurisdictions. While comprehensive federal legislation on AI remains under development, companies must be prepared to navigate varying state laws—particularly in areas such as consumer protection, anti-discrimination, data privacy, and the use of AI in employment decisions.

Looking Ahead: The Spirit of Independence in AI Regulation

The Senate's action on the eve of Independence Day serves as a powerful reminder of the enduring value of federalism and the role of states as "laboratories of democracy." As the nation continues to grapple with the opportunities and risks of artificial intelligence, states' ability to innovate, experiment, and protect their citizens remains a vital cornerstone of American governance.

We will continue to monitor developments in AI regulation at both the state and federal levels. For questions about how these changes may impact your organization, please contact our [Artificial Intelligence](#) team.

FOR MORE INFORMATION

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