



State laws on AI hiring tools persist after One Big Beautiful Bill Act

July 14, 2025

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SUMMARY

As explained in our recent [client alert](#), states and localities are, for the time being, free to legislate the use of artificial intelligence (AI) tools after the US Senate voted to remove language from President Donald Trump's One Big Beautiful Bill Act (OBBBA) that would have set a 10-year moratorium on the enactment of such laws. While this may not be the final attempt by the White House to deregulate the continued development of AI programs and tools, for now, employers contemplating the use of AI in hiring and onboarding, performance management, and other workplace functions must continue to remain vigilant of state-specific audit and notice requirements in the jurisdictions in which they operate.

IN DEPTH

On July 4, 2025, President Trump signed the OBBBA into law. Notably, the signed version of the bill omitted a proposed 10-year moratorium on all state and local regulation of AI systems, models, and automated decision systems (ADS). The prior version of the OBBBA would have prohibited states and localities from “limiting, restricting, or otherwise regulating artificial intelligence models, artificial intelligence systems, or automated decision systems” through legislation during this 10-year period.

For employers contemplating or currently using AI in hiring and workplace management, this is significant because, as we [previously reported](#), there is a rapidly expanding patchwork of state legislation across the country. The state legislation largely seeks to implement onerous notice requirements for job applicants and employees prior to using such technology and requires compilation of data regarding how AI systems work (and their impact).

The absence of federal AI legislation will increase the likelihood of additional efforts by states and localities to regulate and place limitations on the use of AI in employment and other areas.

Because the 10-year moratorium was struck by the US Senate from the final version of the OBBBA, states and localities will continue to have the ability to regulate the use of AI as they have been – and particularly in the



employment context. Several of these laws, which have recently garnered close media attention, will continue to proceed through legislative processes, including:

- **Colorado:** Colorado’s Senate Bill (SB) 205, which features the country’s most expansive requirements for AI developers and users, serves as the framework for other jurisdictions seeking to regulate AI use.
- **California and Texas:** California’s SB 7 and Texas’ House Bill 149 are both set to take effect in 2026, and they each emphasize a prohibition on the use of AI to discriminate on the basis of protected characteristics in employment decisions.
- **Minnesota:** The Minnesota Consumer Data Privacy Act is set to take effect July 31 and requires disclosure of AI use and the opportunity for the consumer to opt out – including in employment decisions.
- **Connecticut, New York, Massachusetts, and Washington:** All of these states are considering bills similar to the Colorado standard.

Employers integrating AI and ADS in their practices also remain liable for any violations of federal and state antidiscrimination laws in connection with that use.

The absence of federal AI legislation will increase the likelihood of additional efforts by states and localities to regulate and place limitations on the use of AI in employment and other areas. However, employers can expect that the White House’s attempt at deregulating the development of AI via the OBBBA, albeit unsuccessful this time around, will be the first of many efforts for federal deregulation of AI development and deployment.

For now, employers looking to implement AI technology should closely monitor legislative developments in applicable jurisdictions. **For a more in-depth discussion of how state AI laws impact employers, we are hosting a webinar on August 12 at 1:00 pm (EDT).** [Register today.](#)

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