Federal AI Moratorium Dies on the Vine as Senate Passes the "One Big Beautiful Bill"

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On July 1, 2025, in a near-unanimous, 99-1 vote, the U.S. Senate stripped the AI moratorium provisions originally included in the "One Big Beautiful Bill Act." The AI moratorium, which we previously covered here, would have stopped in their tracks more than 1,000 AI regulatory bills making their way through state legislative processes in state capitals.

The AI moratorium, which was a part of President's Trump domestic policy agenda rolled into the budget reconciliation measure titled the One Big Beautiful Bill Act, drew intense criticism from Senators, House Members and Governors on both sides of the aisle. It fell through this week, in the midst of days and nights of nonstop legislative activity, after a high-profile compromise effort sponsored by Senators Marsha Blackburn (R-TN) and Ted Cruz (R-TX) collapsed. Both Senators ended up voting to slash the AI moratorium from the Bill.

Initially, the House-passed version of the Bill sought to impose a sweeping 10-year federal moratorium on new state laws regulating artificial intelligence and automated decision making systems and models. The proposal quickly drew bipartisan criticism from state attorneys general, governors, consumer advocates, and even conservative lawmakers, reflecting a spectrum of views ranging from those of Senator Maria Cantwell (D-WA) to House Member Marjorie Taylor Greene (R-GA). Critics warned that the provision would undermine protections in areas such as children's online safety, deceptive trade practices, and civil rights, and that given the high degree of uncertainty surrounding the technology, setting aside AI regulation for an entire decade would be premature. Although Blackburn and Cruz spearheaded a revised proposal to salvage the measure, Blackburn ultimately withdrew her support and issued a sharp rebuke, stating that the provision was "unacceptable to those who need these protections the most," and warning that "kids, creators, and conservatives" could be exploited by "Big Tech" while federal privacy and online safety laws continue to fail in Congress.

Before its removal, the moratorium provision went through several key revisions in an attempt to balance concerns about state sovereignty with an interest in federal uniformity. The revised language shortened the proposed moratorium from ten to five years and clarified that only the newly earmarked $500 million in federal funding would be contingent on state compliance with the moratorium, addressing concerns raised by Senators. At one point, legislators proposed to significantly rewrite the "generally applicable laws" exception to the moratorium, saving from the freeze general state regulations over unfair or deceptive acts or practices (UDAP), online child safety, and protections against the nonconsensual use of one's name, image, and likeness. These changes reflected the influence of both consumer protection advocates and Senator Blackburn's priorities. However, the revised exception introduced new legal uncertainty by requiring that such laws not impose an "undue or disproportionate burden" on AI systems and that they "reasonably effectuate the broader underlying purposes" of the regulation - language that critics argued was vague and likely to spur a wave of litigation.

The final vote to eliminate the moratorium took place on July 1, ending in a decisive 99-1 tally. While the moratorium is no longer part of the legislative package, which was passed by the Senate shortly after the moratorium's removal and is now remains in the hands of the House of Representatives for a final vote, its brief and contentious history illustrates the complex challenge of developing a cohesive national AI policy while allowing the laboratories of democracy to operate in state capitals. The episode reflects a larger unresolved debate: how to reconcile the desire for federal consistency with the need for agile, local responses to emerging AI harms. For now, businesses should prepare to implement and comply with a wave of new state AI laws, including, most recently, the Texas Responsible AI Governance Act (TRAIGA), which was signed into law by Texas Governor Greg Abbott on June 22, 2025, and will come into effect on January 1 next year.

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