

# The Colorado AI Act: An Employer's Guide to Compliance in 2026

What HR Professionals and Business Owners Need to Know  
Before the June 30, 2026 Deadline

Victoria T. Aguilar, Esq., SPHR | Founder & Managing Director, The AR Group, LLC | May 2026

## Executive Summary

---

The Colorado Artificial Intelligence Act is scheduled to take effect on June 30, 2026, and it represents the most significant state-level regulation of artificial intelligence in the United States. For HR professionals and employers, the stakes are real: the law directly targets AI systems used in hiring, performance management, termination, and other employment decisions.

This white paper provides a practical overview of what the law requires, what may change under a pending amendment, how a federal lawsuit introduces additional uncertainty, and, most importantly, what employers and HR teams should be doing right now to reduce their exposure.

## What Is the Colorado AI Act?

---

Enacted in May 2024, the Colorado Artificial Intelligence Act is the first comprehensive state law in the U.S. to regulate the use of artificial intelligence in high-stakes decision-making. The law applies to "high-risk artificial intelligence systems," a category that expressly includes AI tools used in employment decisions such as hiring, promotion, discipline, and termination.

The law's stated goal is straightforward: to protect consumers and workers from algorithmic discrimination. Its practical impact on employers, however, is far-reaching.

### Original Requirements Under the AI Act

As enacted, the Colorado AI Act would require employers to:

- Implement risk management policies and programs for high-risk AI systems
- Conduct impact assessments evaluating the potential for algorithmic discrimination
- Perform annual reviews of AI systems used in employment decisions
- Provide disclosures to employees and applicants about the use of AI
- Report instances of algorithmic discrimination to the Colorado Attorney General

## The Proposed Amendment: A Scaled-Back Framework

---

In March 2026, with the backing of Governor Jared Polis, the Colorado AI Policy Work Group released a proposed amendment that would significantly narrow the law's scope and push its effective date to January 1, 2027. The proposal shifts focus from broadly regulating "high-risk AI systems" to regulating "automated decision-making tools" (ADMT) used in "consequential decisions."

### Key Definitions Under the Proposal

Term	Definition
ADMT	Any technology that processes personal information and uses computation to generate output, including predictions, recommendations, classifications, rankings, or scores, used to make, guide, or assist a decision concerning an individual.
Consequential Decision	A decision relating to employment or an employment opportunity that is reasonably likely to materially limit, delay, effectively deny, or otherwise fundamentally alter an individual's access, eligibility, or opportunity.
Covered ADMT	Only ADMT that "materially influences" a consequential decision, meaning a non-de minimis factor affecting the outcome. Incidental or clerical uses, spellcheckers, calculators, and spreadsheets requiring human analysis are excluded.

### What the Proposal Would Eliminate

Under the scaled-back framework, employers would no longer be required to:

- Implement risk management policies and programs
- Conduct impact assessments
- Perform annual reviews of AI systems
- Report algorithmic discrimination

### What the Proposal Would Still Require

Even under the amended framework, core obligations would remain:

**Notify Before Use.** Employers must notify employees and applicants before covered ADMT is used in a consequential decision. Notice can be provided through a publicly accessible posting at points of interaction.

**Adverse Outcome Disclosures.** If covered ADMT results in an adverse decision, such as a rejected application, denied promotion, or disciplinary action, the employer must notify the affected individual within 30 calendar days. That disclosure must include a plain-language description of the decision and the AI's role, information about the

system used, instructions for requesting and correcting personal data, and information about how to request human review.

**Human Review Rights.** Individuals affected by an adverse consequential decision have the right to request meaningful human review and reconsideration of that decision.

**Attorney General Enforcement.** The Colorado Attorney General retains enforcement authority. There is no private right of action, but the AG must provide 90 days' written notice and an opportunity to cure before bringing an action.

## A Federal Wildcard: The DOJ and xAI Lawsuit

---

On April 9, 2026, xAI, an AI company owned by Elon Musk, filed a lawsuit seeking a preliminary injunction to block the Colorado AI Act entirely, arguing it violates the U.S. Constitution. On April 24, 2026, the U.S. Department of Justice intervened in support of xAI, marking the first time the federal government has sought to invalidate a state AI law.

The DOJ's central argument invokes the Equal Protection Clause of the Fourteenth Amendment, contending that by requiring developers and deployers to prevent the "risk" of disparate outcomes based on demographic characteristics, the AI Act counterproductively requires the use of race, sex, religion, and other protected characteristics.

***Important: Unless a court issues an injunction or the legislature acts, the June 30, 2026 effective date remains in place. Employers cannot afford to wait for legal or legislative resolution before beginning compliance preparation.***

## What Employers and HR Teams Should Do Now

---

Given the significant uncertainty surrounding the AI Act, the most prudent approach is to prepare for compliance under both the current law and the proposed amendment. The following steps apply under either framework:

### 1. Audit Your Use of AI and Automated Tools

Identify every system or tool that uses automation, algorithms, or machine learning in any part of your hiring, performance management, scheduling, or disciplinary processes. This includes third-party HR technology platforms, applicant tracking systems, performance scoring tools, and scheduling software.

### 2. Assess Coverage

Determine whether each tool qualifies as covered ADMT, meaning it materially influences a consequential employment decision. Not every automated tool will be covered, but the analysis needs to be documented.

### 3. Review Vendor Contracts

The AI Act imposes obligations on both developers and deployers of AI systems. Review vendor contracts to understand compliance obligations, what disclosures vendors are prepared to make, and who bears responsibility for violations.

#### 4. Prepare Your Disclosure Framework

Whether or not the proposed amendment is adopted, some form of notice and disclosure obligation is likely to survive. Begin drafting notices required for ADMT use and adverse decision disclosures now, including plain-language descriptions of how AI is used in employment decisions.

#### 5. Establish a Human Review Process

Identify who in your organization will conduct human reviews of adverse decisions, what authority they will have, and how the process will be documented.

#### 6. Train Your HR and Management Teams

Ensure that HR professionals, hiring managers, and anyone involved in employment decisions understands the organization's obligations and the specific tools subject to the AI Act.

#### 7. Monitor Developments Closely

The legislative amendment process, the xAI litigation, and any court orders could all change the compliance landscape significantly. Assign someone to track these developments and update your compliance framework accordingly.

### Special Implications for HR Professionals

---

For HR professionals specifically, the Colorado AI Act signals a broader shift in how automated tools in the workplace will be regulated going forward. Several implications deserve particular attention:

- AI compliance is no longer just an IT or legal issue; it is a core HR function. HR teams need to be actively involved in identifying covered tools, designing disclosure processes, and managing human review workflows.
- Job descriptions and application processes using AI screening tools may require new disclosures and re-evaluation of screening criteria.
- Performance management systems that use algorithmic scoring or ranking may be subject to adverse outcome disclosure requirements if they result in disciplinary action or termination.
- Documentation will be critical. HR teams should begin building records of which AI tools are used, how they are used, and what safeguards are in place, both for compliance purposes and to demonstrate good-faith efforts in the event of an enforcement action.

### Conclusion

---

The Colorado AI Act represents a new frontier in employment law compliance, one that requires employers and HR professionals to think carefully about the tools they use, the decisions those tools influence, and the obligations they create. The uncertainty surrounding the law's final form makes preparation more challenging, but it does not make it optional.

The organizations best positioned when the law takes effect are those that start their compliance work now: auditing their AI use, reviewing vendor relationships, building disclosure frameworks, and training their teams.

The intersection of employment law and emerging technology is complex, and the rules are changing fast. The AR Group helps Colorado employers navigate exactly this kind of uncertainty, from assessing AI-related exposure to building practical, defensible compliance frameworks.

---

## About The AR Group, LLC

The AR Group, LLC is a Colorado-based employment law and HR consulting firm providing expert witness services, workplace investigations, litigation support, and HR compliance counsel to public- and private-sector employers, including Fortune 500 companies, federal agencies, and small businesses.

## About the Author

Victoria T. Aguilar, Esq., SPHR is the Founder and Managing Director of The AR Group, LLC. AV Preeminent-rated employment attorney, certified EEO and Title IX investigator, and expert witness with more than 33 years of experience. Licensed in Colorado, New Mexico, and Minnesota.



[www.theargroup.com](http://www.theargroup.com) | Colorado • New Mexico • Minnesota

*This white paper is intended for general informational purposes only and does not constitute legal advice. Employers should consult with qualified legal counsel regarding their specific compliance obligations under the Colorado AI Act.*