

# Regulatory Alert

Regulatory Insights



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## First 100 Days: Upcoming Regulatory Signals for AI

### *KPMG Regulatory Insights*

- **Patchwork of AI Regulations:** With more than 800 bills introduced in 48 states so far in the 2025 legislative session, anticipate increasing regulatory divergence and complexity.
- **Interplay Between AI Regulations, Privacy and Energy:** Expect regulatory changes to focus on the interplay between AI laws and regulations and energy infrastructure, with state-level regulation shifting to AI systems safety and privacy.
- **Existing Regulations Apply:** Despite the trend toward deregulation, existing regulations still apply to AI technology and applications.

Shifts in AI regulation have occurred at different levels of government, encompassing executive orders emphasizing national security, agency adjustments to export controls and patent processes, and the enactment of state-level consumer protection laws. Regulations may impact the future of AI regardless of whether AI is the explicit target of the regulation, e.g., energy regulations that impact AI data centers.

**1. Federal Actions/Directions, including issuances of Executive Orders, directives and agency actions.** Recent executive orders have directed federal agencies to prioritize AI innovation and national security. This includes rescinding previous orders and replacing them

with directives that emphasize both national security concerns and the elimination of barriers to technological advancement, including alignment with increasing energy production.

**2. State laws, in the absence of an overarching federal regulation, advancing on both broad consumer protection frameworks and specific AI issues, creating a patchwork of regulatory requirements.** State focus on broad AI law includes consumer protections (e.g., Colorado's law on AI interactions) while more targeted regulations may focus on a topic (e.g., advertising, deepfakes) or sector (e.g., healthcare, insurance).

# 1. Federal Actions/Directions

The new Administration has introduced a series of directives that will reshape the regulatory environment.

Signals include:

Signals	Description/Examples	Source
Innovation Focus	<p>Implementation of the Executive Order on “Removing Barriers to American Leadership in Artificial Intelligence” (14179)</p> <ul style="list-style-type: none"> <li>• Shift of AI development/ regulations toward fostering sector growth, innovation, and national security</li> <li>• Development of an AI Action Plan, including release of a Request for Information and final plan due by mid-July 2025</li> </ul>	<p>White House <a href="#">here</a> and <a href="#">here</a></p> <p>AI Action Plan <a href="#">RFI</a></p> <p><a href="#">White House</a></p>
	<p>Recission of Executive Order on “Safe, Secure, and Trustworthy Development and Use of AI” (14110)</p> <ul style="list-style-type: none"> <li>• Agency leadership directed to suspend, revise, or revoke related rules/guidance/actions promulgated under this EO that are deemed inconsistent with the new policy</li> </ul> <p>(Note: See table on page 4)</p>	
	<p>Pushback on regulations/ safety measures perceived as hindering innovation, including:</p> <ul style="list-style-type: none"> <li>• Global laws/regulations/frameworks</li> <li>• “Ideological bias or engineered social agendas” (as stated in the EO)</li> <li>• Patent reviews</li> </ul>	
National Security Focus	Implementation of the “America First Trade Policy	White House <a href="#">memo</a>
Protection of AI Hardware	<p>Prioritization on protection of U.S. chips and designs vis-a-vis other national actors</p> <ul style="list-style-type: none"> <li>• Review of general and sectoral trade agreements and potential for withdrawal or renegotiation to favor domestic manufacturers</li> <li>• Potential changes (e.g., modification, repeal) to CHIPS and Science Act (2022) investments in chip technology</li> </ul>	White House <a href="#">Address to Congress</a>
Export Controls	<p>Elimination of loopholes in export controls for perceived “strategic adversaries” and “geopolitical rivals”</p> <ul style="list-style-type: none"> <li>• Restrictions may include “strategic goods, software, services, and technology”</li> <li>• Potential for stricter export control enforcement to incentivize compliance</li> </ul>	
U.S. Investment Restrictions	<p>Potential changes to restrictions on outbound investment in non-U.S. AI projects, such as:</p> <ul style="list-style-type: none"> <li>• Greater restrictions on U.S. investments beyond EO 14105, “Addressing United States Investments in Certain National Security Technologies and Products in Countries of Concern” to include potentially modifying or rescinding and replacing the EO</li> <li>• More restrictive rules on U.S. investments to replace regulations implementing EO 14105, including “Provisions Pertaining to U.S. Investments in Certain National Security Technologies and Products in Countries of Concern”</li> <li>• Modifications to the Outbound Investment Security Program</li> </ul>	

Energy and Data Centers	<p>Implementation of the Executive Order on “Advancing United States Leadership in Artificial Intelligence Infrastructure” (EO 14141 - still in force from the previous administration), which allows for expansion of data centers and related facilities and supports the Administration’s goal of global AI leadership:</p> <ul style="list-style-type: none"> <li>• Emphasis on domestic leadership in energy for AI data centers</li> <li>• Build AI infrastructure to protect national security and economic competitiveness</li> <li>• Priority on domestic sources for energy for AI data centers, matching new generation resources</li> <li>• Government-private sector cooperation to build and secure AI infrastructure</li> <li>• Modernize energy infrastructure and reduce regulations for permits, with emphasis on lowering costs</li> </ul>	<p>EO 14141 <a href="#">here</a></p> <p>EPA <a href="#">release</a></p>
	<p>Implementation of the Executive Order “Declaring a National Energy Emergency” with actions related to both energy supply and infrastructure, across all energy types and focusing on national “energy independence”</p>	<p><a href="#">White House</a></p> <p>DOI <a href="#">release</a></p> <p>EPA <a href="#">release</a></p> <p>DOE <a href="#">release</a></p>
	<p>Rollback of climate-related regulations, aiming to encourage fossil fuel development and reduce energy costs,</p> <p>Establishment of the National Energy Dominance Council, with domestic energy production noted as of particular importance for AI</p>	<p>White House <a href="#">here</a>, <a href="#">here</a> and <a href="#">here</a></p> <p>DOI <a href="#">release</a></p>
Investment	<p>Encouragement for/acceptance of domestic/certain global AI-related investment in U.S. manufacturing/infrastructure/ technology development/ energy production/data center construction</p>	

# The New Administration's AI Executive Order

Figure 1

Key Aspects	<b>Recission of 2023 Executive Order 14110:</b> Safe, Secure and Trustworthy Development and Use of AI	<b>Execution of 2025 Executive Order 14179:</b> Removing Barriers to American Leadership in Artificial Intelligence
<b>AI Development Focus</b>	Emphasized responsible AI development, balancing benefits with risks, establishing safeguards, testing standards, and ethical considerations.	Prioritizes <b>deregulation, removing regulatory obstacles</b> (e.g., free of “ideological bias”), and promoting AI <b>innovation</b> for US global dominance, economic competitiveness and <b>national security</b> .
<b>Regulatory Approach</b>	Introduced oversight framework, mandatory red-teaming for “high-risk” AI, cybersecurity protocols, and agency collaboration for best practices.	Mandates review and potential revision or <b>rescission of the regulations/policies/ actions implementing the 2023 EO</b> viewed as impediments to innovation.  <b>AI Action Plan</b> to be developed within 180 days by <b>Special Advisor for AI and Crypto</b> , Assistants to the President for National Security Affairs and Science and Technology, OMB Director, department and agency leadership.
<b>Workforce Development</b>	Provided resources for attracting/training AI talent, expanding visa pathways, promoting public-private partnerships.	No specific workforce-related provisions.
<b>National Security</b>	Directed “whole-of-government” cooperation to assess AI risks in critical systems, evaluation of potential AI threats.	Policy to reduce federal oversight, prioritize flexible regulatory environment
<b>Bias and Civil Rights</b>	Called for oversight to address discrimination and bias in AI and protect equity and civil rights in various sectors.	No specific bias provisions; policy stance focusing on economic competitiveness and national security.
<b>Global AI Leadership</b>	Promoted international cooperation, US engagement to set common AI safety standards, ethical frameworks.	<b>Unilateral stance</b> on US AI leadership; no specific commitments to international collaboration. (Vance statements regarding “light regulation.”)
<b>Impact on Global AI Policy</b>	Intended to generally align with EU's principles on safety, transparency, accountability, and ethics, facilitating compliance with EU standards.	<b>Potential divergence with policy approach in the EU and other jurisdictions</b> ; may limit US influence in shaping global AI norms; may complicate compliance for US companies in international markets.  Policies in areas such as data privacy, competition and consumer protection expected to become clearer as the AI Action Plan is finalized and agency leadership implements agendas.
<b>State vs. Federal Regulations</b>	Did not address state laws or regulations; continued potential for state-federal divergence.	<b>Potentially increases regulatory divergence/fragmentation with states</b> enacting their own AI regulations (e.g., CA, CO, TX), complicating compliance across jurisdictions.

## 2. State Laws

In the absence of an overarching federal regulation for AI, the states have advanced legislation (e.g., enacted or introduced bills) on both broad consumer protection frameworks and specific/targeted AI issues, creating a patchwork of regulatory requirements (see page 6). Legislative/regulatory signals at the state level include:

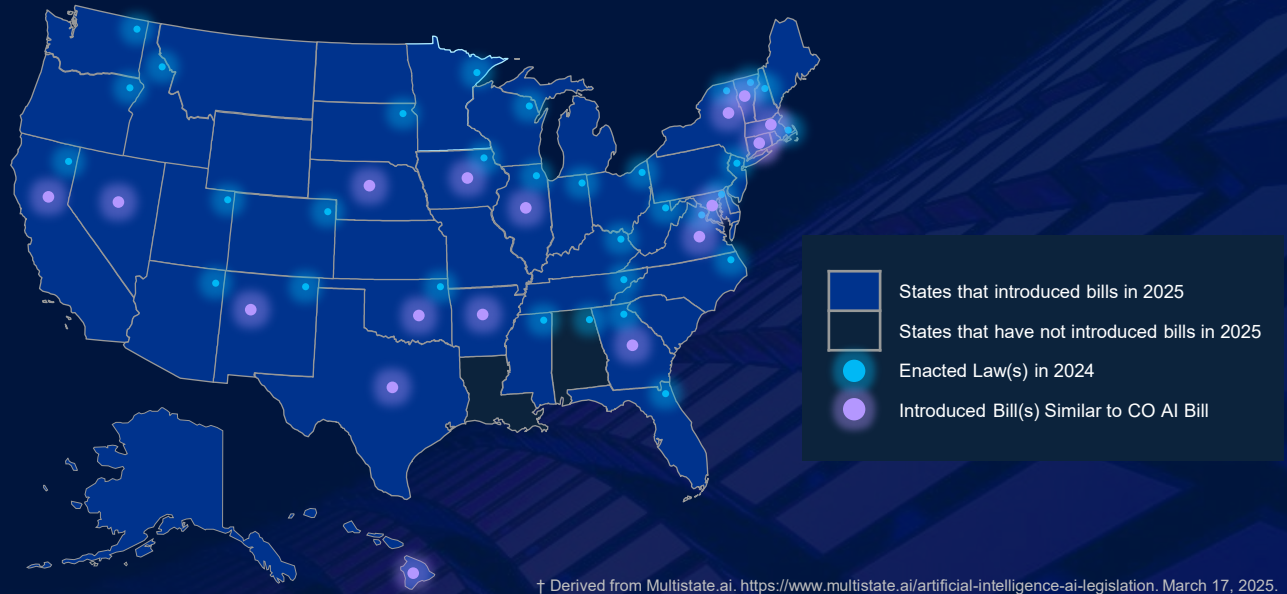
Signals	Description/Examples	Source
AI Consumer Protection	<p>Emerging trend toward adoption of broad protection laws applicable across multiple industries and to AI developers and deployers, with a Colorado law as model; key features include (though varies by bill and by state):</p> <ul style="list-style-type: none"> <li>• Remedy for algorithmic discrimination in “consequential decisions” (as defined in the bill/law)</li> <li>• Required risk management policies and programs</li> <li>• Required disclosures to the state and the public</li> <li>• Opt-out requirements for personal data processed for creation of a personal profile</li> <li>• Provisions for challenging and correcting personal data used for profiling</li> <li>• Appeals for adverse decisions made by AI tool, allowing for human review</li> </ul> <p>(Note: States introducing these types of bills in 2025 include CT, MD, NM, NY, TX, and VA.)</p>	<a href="#">Colorado AI Act</a>
AI Safety	<p>Consideration of bills aimed at limiting harm through safety reporting requirements; key features may include:</p> <ul style="list-style-type: none"> <li>• Focus on developers of large frontier models (based on computation and cost thresholds)</li> <li>• Requirements to implement and publish safety and security protocols</li> <li>• Annual/regular third-party review</li> <li>• Reporting/disclosure of “safety incidents”</li> </ul> <p>(Note: CA passed a “safety bill” in 2024 but it was vetoed by the Governor; NY has introduced a safety bill in 2025)</p>	
Targeted Laws/Regulations	<p>Enacted and introduced bills focused on specific protections including:</p> <p><u>Child safety laws</u>: including provisions related AI-generated (synthetic) representations of children, protections related to harassment, and children’s interactions with chatbots (e.g., AL, FL, GA, ID, IL, MI, NC, TN, TX, UT, VA)</p> <p><u>Individual property rights/commercial protections</u> for individuals’ rights to their likenesses (e.g., AI-generated visual representations of fashion models in NY; voice representations in TN [the “ELVIS Act”]and MT)</p> <p><u>Consent and capture of biometric data</u>, including restrictions and notifications for data such as retina/iris scans, fingerprints, facial data, and geolocation data (e.g., bills enacted in TX, CO)</p> <p>Protections for individuals against nonconsensual AI-generated images (e.g., AL, FL, CA, CO, GA, HI, MN, NC, NY, TX, UT, VA)</p> <p><u>Workplace protections</u>, including restrictions on employers’ use high-risk AI systems to make “consequential decisions” affecting employees (e.g., CT) or surveillance data to set wages (e.g., CO)</p>	

# U.S. State AI Laws and Regulations

Figure 2

In 2024, approximately 30 states enacted AI legislation; So far in 2025, more than **870** bills have been introduced in **48** states†

**State legislative activity on AI is varied**, frequently targeted to a **specific issue** (e.g., deepfakes, facial recognition/surveillance, employment, transparency) **and/or industry/sector** (e.g., state government, insurance) and often **coupled with privacy laws**.



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