

California's 2026 AI Laws: What IT Leaders Need to Know

A practical guide to the new regulatory landscape for businesses using or deploying AI

Here's the change that should get your attention: as of January 1, 2026, if your AI causes harm and you get sued, you can no longer argue that the AI acted on its own. That defense is gone. AB 316 eliminated it, and it applies to every business in California using AI in any capacity.

That's just one of eight AI-related laws taking effect this year. California has enacted a wave of artificial intelligence regulation covering everything from training data disclosure to frontier model safety reporting. Some laws target only the largest AI developers. Others - like the liability change above - apply to every organization deploying AI tools, regardless of size or revenue.

For IT leaders and MSPs, the challenge is cutting through the noise to identify which laws actually require action. This guide breaks down each law by who must comply, with specific thresholds and penalties.

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Quick Reference: Who Must Comply?

Law	Effective	Small Biz (<\$5M)	Mid-Market	Enterprise	Key Threshold
AB 2013 Training Data	Jan 1, 2026	If developing GenAI	If developing GenAI	If developing GenAI	Any GenAI developer available to CA residents
SB 942 AI Transparency	Jan 1, 2026	No	Unlikely	If >1M users	>1M monthly users (images/video/audio)
AB 489 Healthcare AI	Jan 1, 2026	If healthcare AI	If healthcare AI	If healthcare AI	AI suggesting licensed professional oversight
AB 316 AI Liability	Jan 1, 2026	YES	YES	YES	All defendants in AI harm cases
AB 325 Algorithmic Pricing	Jan 1, 2026	If using pricing AI	If using pricing AI	If using pricing AI	Algorithms with competitor data
AB 621 Deepfakes	Jan 1, 2026	YES	YES	YES	Non-consensual deepfake creation
SB 53 Frontier AI	Jan 1, 2026	No	No	If frontier developer	>10 ²⁶ FLOPs + \$500M revenue
SB 243 Chatbot Safety	Jul 1, 2026	If operating chatbots	If operating chatbots	If operating chatbots	Chatbot operators must report concerns
CCPA ADMT	Jan 1, 2026	Unlikely	If CCPA applies	YES	CCPA thresholds + automated decisions

Key Insight: Revenue alone doesn't determine compliance obligations. A 10-person startup developing generative AI tools for California users must comply with AB 2013's disclosure requirements, while a \$100M company that only uses third-party AI tools may have no training data disclosure obligations.

The Laws in Detail

AB 2013: Training Data Disclosure

This law requires developers of generative AI systems to publicly disclose information about their training datasets. Unlike most other AI laws, AB 2013 has no revenue or user thresholds - if you develop GenAI and make it available to Californians, you must comply.

What must be disclosed: Developers must post a "high-level summary" on their website covering the sources of training data, whether copyrighted material was used, whether personal information under CCPA was included, and licensing arrangements. The law applies retroactively to any GenAI system released or substantially modified since January 1, 2022.

Who this affects: Any company that designs, codes, produces, or substantially modifies a generative AI system available to California residents - including free tools and internal systems made publicly accessible.

Who this doesn't affect: Companies that only use third-party AI tools (like Microsoft Copilot, Claude, or ChatGPT) without modifying them.

Penalties: AB 2013 does not specify direct penalties or enforcement mechanisms, which is one of its notable gaps. However, non-compliance could expose developers to consumer protection actions and reputational risk.

SB 942: California AI Transparency Act

This law targets large-scale generative AI providers, requiring them to offer free detection tools and content labeling capabilities. The threshold is specific: more than one million monthly users of a system that generates images, video, or audio content.

Requirements: Providers must offer a free, publicly accessible AI detection tool that can identify content created by their system. They must also enable users to add visible labels to AI-generated content and embed hidden watermarks.

Important limitation: SB 942 explicitly excludes text-only AI systems. Chatbots, writing assistants, and code generators are not covered - only systems producing multimedia content.

Penalties: Civil penalties up to \$5,000 per day, per violation. Enforcement by the California Attorney General and local prosecutors. No private right of action.

AB 489: Healthcare AI Misrepresentation

This law prohibits AI systems from implying they provide services overseen by licensed healthcare professionals unless such oversight actually exists.

What's prohibited: Using titles, icons, post-nominal letters (like "MD" or "RN"), or design elements that could suggest a licensed professional oversees the AI's output when no such oversight exists.

Penalties: State licensing boards can investigate and enforce violations, including civil penalties. Each misleading representation constitutes a separate offense.

AB 316: No Autonomous Harm Defense

This law prevents defendants in civil lawsuits from claiming that AI acted autonomously as a defense against liability. If you develop, modify, or use AI that allegedly causes harm, you cannot shift blame to the technology's independent decision-making.

Practical impact: Companies using AI in customer-facing applications, automated decision systems, or any context where AI outputs could cause harm should review their liability exposure.

Who this affects: Every organization that uses AI in any capacity.

Liability Exposure: No statutory penalties, but this law increases civil liability exposure by eliminating a key defense. Damages in AI-related lawsuits are uncapped. Review your liability insurance coverage.

AB 325: Algorithmic Pricing Restrictions

This law amends California's antitrust statute to address AI-driven price coordination. It prohibits using "common pricing algorithms" - methodologies that use competitor data to recommend, align, or influence prices - as part of anticompetitive conduct.

Who this affects: Retailers, hospitality businesses, and any company using third-party pricing optimization tools that incorporate competitor data.

Penalties: As an amendment to the Cartwright Act, violations carry treble damages, injunctive relief, and attorney's fees. Criminal penalties may apply in egregious cases.

AB 621: Deepfake Protections

This law strengthens legal protections against non-consensual, sexually explicit AI-generated content. It expands the definition of "digitized sexually explicit material" and creates new causes of action.

Key provisions: Minors cannot consent to deepfake pornography depicting them. Liability applies to anyone who "knows or reasonably should know" that material depicts a minor.

Penalties: Damages up to \$250,000 for malicious violations. Public prosecutors now have civil enforcement authority.

SB 53: Frontier AI Safety Requirements

This law establishes the first U.S. state-level safety framework for frontier AI models. It applies only to developers training models using more than 10^{26} floating-point operations (FLOPs).

Two tiers: All frontier developers must publish transparency reports and report safety incidents. "Large frontier developers" (revenue >\$500M) face additional requirements including third-party evaluations.

Who this affects: Currently about 5-8 companies globally: OpenAI, Anthropic, Google DeepMind, Meta, and Microsoft.

Penalties: Civil penalties up to \$1 million per violation, enforceable by the California Attorney General.

SB 243: Chatbot Safety Reporting (Effective July 1, 2026)

This law requires companies operating AI-powered chatbots to report safety concerns when users express thoughts of self-harm or harm to others. It takes effect July 1, 2026.

Who this affects: Any organization operating customer-facing chatbots, mental health apps, or conversational AI systems.

Penalties: Specific penalty structures are being developed through regulation.

CCPA Automated Decision-Making Technology Regulations

New CCPA regulations create requirements for businesses using automated decision-making technology (ADMT). These apply to businesses meeting CCPA thresholds.

CCPA thresholds: Annual revenue >\$25M, or buying/selling/sharing personal information of 100,000+ California consumers annually, or deriving 50%+ of revenue from selling California consumer data.

Penalties: Up to \$2,500 per unintentional violation and \$7,500 per intentional violation.

What MSPs Should Do Now

Immediate Actions for IT Service Providers:

- 1. Audit your AI tooling.** Document every AI system you deploy or recommend to clients. Distinguish between using third-party tools versus developing or modifying AI systems.
- 2. Review client AI exposure.** Identify which clients develop GenAI, use healthcare AI, or deploy algorithmic pricing tools.
- 3. Update service agreements.** Consider liability provisions related to AB 316's elimination of the autonomous harm defense.
- 4. Monitor CCPA applicability.** Clients approaching CCPA thresholds need to understand the new ADMT regulations.

Looking Ahead

California's 2026 AI laws represent just the beginning. Additional requirements take effect in July 2026, including SB 243's chatbot safety reporting requirements. New York's RAISE Act may follow a similar path to SB 53. And federal legislation, while stalled, remains a possibility.

For IT leaders, the practical approach is building flexibility into compliance programs. Document your AI usage, maintain clear audit trails, and establish review processes for new AI deployments. The regulatory landscape will continue evolving, but organizations with strong AI governance foundations will adapt more easily than those scrambling to catch up.

This document provides general information about California AI laws taking effect in 2026. It is not legal advice. Consult with qualified legal counsel for guidance specific to your organization's situation.

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