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DEXIT: Is Delaware Losing Its Corporate Crown—and Is Texas or Nevada Next in Line?

For decades, the answer to “where should we incorporate?” was almost reflexive: Delaware. The state’s Court of Chancery, expert corporate bench and bar, and business-friendly tax benefits made it the undisputed capital of American corporate law, home to more than two million businesses, including over two-thirds of all Fortune 500 companies. Today, that consensus is cracking.

A growing trend—dubbed “DEXIT”—is reshaping where major corporations choose to plant their legal flag, and the implications for founders, general counsels, and executives are significant.

What Is DEXIT?

DEXIT is shorthand for the accelerating exodus of major corporations from Delaware as their state of incorporation. The names tell the story. Elon Musk moved Tesla and his other companies to Texas and publicly encouraged his peers to follow. Mark Zuckerberg sounded the alarm at Meta, reportedly considering a similar move to Texas. TripAdvisor and Dropbox recently reincorporated in Nevada. In March 2026, ExxonMobil announced it would redomicile to Texas, citing its operational headquarters in the Lone Star State. Notably, the company had been incorporated in New Jersey, not Delaware—making its move a signal of Texas’s broader appeal as a corporate home, not merely a Delaware alternative. Just this week, Bill Ackman’s Pershing Square, which had already announced plans to reincorporate in Nevada, proposed a roughly \$64 billion acquisition of Universal Music Group through a merger vehicle that would itself be incorporated in Nevada and listed on the NYSE.

This is no longer a fringe phenomenon. When one of the world's largest corporations redomiciles to Texas, and when a transaction of that magnitude is structured around a Nevada corporation, it signals something more than opportunism—it signals a genuine recalibration of how corporate America thinks about the incorporation decision.

What Is Driving the Trend?

Several forces are converging to push companies toward the exit door:

Delaware Court Decisions and Perceived Unpredictability

Perhaps the most significant legal driver is a growing unease among corporate boards and executives about recent Delaware Court of Chancery decisions. The sequence of events has a clear starting point. The issue became urgent with *Tornetta v. Musk*, 310 A.3d 430 (Del. Ch. 2024), a case upsetting the pay package of Tesla's founder Elon Musk. Three weeks later came Vice Chancellor Laster's Moelis opinion, *West Palm Beach Firefighters' Pension Fund v. Moelis & Co.*, 311 A.3d 809 (Del. Ch. 2024), constraining the power of shareholder agreements—an opinion criticized as potentially undermining accepted market practices.

In *Tornetta*, Chancellor Kathaleen McCormick of the Delaware Court of Chancery blocked Musk's attempts to secure a \$56 billion performance-based compensation plan, siding with a group of Tesla shareholders who initiated a derivative lawsuit against Tesla's board and stating that the pay scheme must be voided because of "extensive ties" between Musk and those negotiating the package. The Delaware Supreme Court later overturned the Chancery's decision, holding that total rescission was an improper remedy and awarding Musk nominal damages of \$1, thereby reinstating the plan: *In re Tesla, Inc. Derivative Litig., No. 10, 2025, 2025 WL 3689114* (Del. Dec. 19, 2025). Nevertheless, regardless of one's view of the merits or the ultimate outcome, the Chancery's initial decision sent a powerful signal to the business community that Delaware courts were willing to intervene aggressively in matters that directors and executives had historically viewed as within their discretion.

The Political Perception

DEXIT also has a political dimension that cannot be ignored. McCormick's ruling infuriated Musk, who shortly thereafter wrote on X: "Never incorporate your company in the state of Delaware." That post reverberated far beyond social media. Musk's posturing against Delaware as being "too regulated" struck a chord with other powerful CEOs. Whether or not one agrees with that characterization, the perception itself is now driving corporate behavior—and in the world of corporate domicile decisions, perception matters enormously.

Delaware's Legislative Response – and the Controversy It Sparked

Delaware did not stand still. In 2024, the Delaware General Assembly enacted S.B. 313 to authorize certain stockholder agreements and merger-related practices, overruling two Court of Chancery decisions that critics said had cast a pall of uncertainty over routine corporate actions—namely the *Moelis* decision and *Sjunde AP-Fonden v. Activision Blizzard*, 2024 WL 863290 (Del. Ch. 2024), in which the Court held that a board had approved an insufficiently complete merger agreement, a conclusion widely criticized as contrary to accepted market practice.

Then, in early 2025, Delaware went further. Governor Matt Meyer signed into law Senate Bill 21, a sweeping overhaul of the Delaware General Corporation Law aimed at preserving Delaware's preeminence. S.B. 21 limited liability for controlling stockholders and directors approving certain conflicted transactions and tightened the guardrails around stockholder books-and-records requests. But the legislation generated its own controversy: documents released by CNBC showed that Governor Meyer's office worked directly with lawyers from Tesla and Meta in drafting S.B. 21, raising pointed questions about whether corporations with sufficient political influence can shape the very laws that govern them, and prompting critics to dub the legislation the "Billionaire's Bill."

The Rise of Alternative Jurisdictions

States have not been passive bystanders. Texas and Nevada have been the primary beneficiaries of DEXIT thus far, pushing forward with multifaceted efforts including revisions to their respective corporate law statutes to position themselves as attractive alternatives to Delaware. Texas has invested in developing its business courts and marketed itself aggressively as a business-friendly alternative. For companies with operational headquarters in Texas, the reincorporation decision also carries a compelling practical logic: aligning your legal domicile with your economic and operational center of gravity.

Why Texas? A Legal Perspective

From a legal standpoint, Texas presents a genuinely interesting alternative, though one that comes with important caveats.

Texas launched its Business Court on September 1, 2024, under House Bill 19, which has since been codified under Tex. Gov't Code Ann. tit. 2, Subt. A, Ch. 25A. The court shares concurrent jurisdiction with state district courts and may hear business disputes above specified value thresholds; this threshold requirement does not apply to publicly traded companies. Unlike the Delaware Court of Chancery, the Texas Business Court holds both jury trials and bench trials. However, pursuant to S.B. 29—Texas's own recent legislative response to the DEXIT conversation—Texas amended the Texas Business Organizations Code (TBOC) allowing corporations to include jury trial waivers in their

governing documents for internal entity claims, and permitting corporations to designate a specific Texas court as the exclusive forum for such claims. Texas Business Court judges are required to have at least a decade of relevant experience, a meaningful credential for boards seeking predictable, sophisticated adjudication.

Texas has also moved to strengthen its business judgment rule framework. Through S.B. 29, the state added Section 21.419 to the TBOC, codifying its business judgment rule, which establishes presumptions that corporate directors act in good faith, on an informed basis, in the corporation's best interests, and in accordance with the law and the corporation's governing documents.

Delaware, Nevada, and Texas all recognize the business judgment rule, but the practical protection they afford directors differs meaningfully. Nevada and Texas set a higher bar for plaintiffs seeking to overcome the rule's presumptions, and Nevada—with the most clearly settled body of authority—offers the most director-favorable regime of the three.

Texas law relating to conflicted transactions appears to still be evolving, and commentators are split on the question of how the fairness analysis will interact with the new business judgment rule statute for certain classes of corporations. The body of case law interpreting the TBOC is still young and relatively thin compared to Delaware's centuries of precedent—a reality that cuts both ways. Less risk of an adverse precedent, but also less certainty about how novel issues will be resolved.

For companies evaluating a potential reincorporation, the practical questions are numerous. How will existing stockholder agreements, charter provisions, and future M&A and financing activity be affected? What are the tax implications—keeping in mind that Delaware generates substantial revenue from annual franchise taxes on domestic corporations, while Nevada imposes none, and Texas applies its franchise tax only to corporations with at least \$2.47 million in annualized total revenue? And how will institutional investors and proxy advisory firms react? None of these questions are trivial, and all of them require careful, jurisdiction-specific legal analysis.

What Should Boards and General Counsels Do?

DEXIT does not mean that Delaware is finished as the dominant jurisdiction for incorporation. Delaware retains substantial advantages: an unmatched body of case law, a judiciary that is exclusively focused on business disputes, and a global brand recognition that still commands premium trust in M&A and financing contexts. Approximately two-thirds of the U.S.'s Fortune 500 companies remain chartered in Delaware, and many other states have modeled their laws on Delaware's and consult Delaware decisions for guidance on novel issues of corporate law. For many companies, particularly those with complex capital structures or frequent transactional activity, Delaware remains the right answer.

But the calculus is no longer automatic. Boards and general counsels should approach the domicile question the way they approach any other significant strategic decision: with rigorous analysis, clear-eyed assessment of their specific risk profile, and advice from experienced corporate counsel who understand both the departing and receiving jurisdictions.

If your company has deep operational roots in Texas, a straightforward capital structure, and leadership that values alignment with a business-friendly jurisdiction, a serious conversation about reincorporation may be warranted. If your company is frequently engaged in complex M&A, relies on Delaware's established legal framework for deal certainty, or has sophisticated institutional investors who prize Delaware governance, a move may carry costs that outweigh the benefits.

The Bottom Line

DEXIT is real, it is accelerating, and the legal landscape is shifting in ways that demand attention from every board, general counsels, and executive team, regardless of where your company is currently domiciled. Delaware's advantages remain substantial and should not be dismissed. But the assumption that Delaware is the only serious answer to the incorporation question is no longer tenable, and companies that fail to periodically reassess that question may find themselves operating under a governance framework that no longer serves their strategic interests.

The decision to reincorporate is not one to be made reactively—in response to a headline, a peer's announcement, or a shift in the political climate. It requires a disciplined, fact-specific analysis of your company's capital structure, transaction history, investor base, operational footprint, and long-term governance objectives. For companies with a meaningful Texas nexus, the case for a serious reincorporation analysis has never been stronger. For others, Delaware may remain the right home—but that conclusion should be reached deliberately, not by default.

What is clear is that the conversation is evolving, and the legal framework governing corporate domicile decisions will continue to develop in the months and years ahead. Boards and management teams that engage proactively with these questions, with experienced counsel at the table, will be best positioned to make the right decision for their companies and their stakeholders.

Contact Us

Husch Blackwell continues to monitor the evolving legal landscape surrounding corporate reincorporation and its implications for our clients. Should you have any questions, please do not hesitate to contact Remy Fesquet, Kirstin Salzman, Keilan Kabalaoui, Isabella Dixon, or your Husch Blackwell attorney.