



## BELL NUNNALLY'S HEATH CHEEK, ANDREW DOWDY AND NATHAN COX ON TEXAS LAWYER EXPLORE REINCORPORATION IN TEXAS, DEXIT TREND

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**Bell Nunnally partners R. Heath Cheek and Andrew Dowdy with Senior Associate Nathan Cox authored the *Texas Lawyer* article “DExit – How and Why Companies Are Choosing Texas as Their New Corporate Home.” The piece explores considerations for companies looking to reincorporate in Texas, as the state battles Delaware – the dominant jurisdiction for incorporation. The nascent push for reincorporations comes against a backdrop of aggressive, pro-business moves by Texas and its legislature to make the state more business friendly.**

The authors write:

*In the last two years alone, Texas has enacted a wave of legislation creating incentives for businesses to relocate their headquarters and place of incorporation to the state.... [T]he Texas Legislature has actively passed legislation positioning the state as a premier destination for companies seeking to establish or relocate their headquarters or place of incorporation. Recent laws include:*

- 1. The creation of a specialized court system (the business courts) designed to rival the Delaware Court of Chancery*
- 2. Statutory protections for companies incorporated in Texas*
- 3. Various financial incentives to facilitate corporate relocation and expansion*

On the incorporation issue, Cheek, Dowdy and Cox detail:

*In 2025, Texas has focused on making the state more incorporation-friendly to encourage companies to reincorporate in Texas, in particular, from Delaware (referred to as the “DExit” movement). Senate Bill 29,*

*passed in May, introduced comprehensive amendments to the Texas Business Organizations Code aimed at reducing litigation risk and increasing corporate governance flexibility.*

The authors then offer a rundown of the benefits and potential pitfalls for a business reincorporating in Texas, including:

**Benefit:** *Texas is a much lower-tax state than many states and, in particular, the current incorporation king, Delaware.... The lack of state income taxes on individuals and corporations and the lower franchise tax with a high "no tax due" threshold make Texas far superior to Delaware from a tax standpoint.*

**Pitfall:** *[T]he most common types of pitfalls would be covenants in contracts. It's common that certain types of contracts contain covenants requiring consent before a company can make certain structural changes, including reincorporation.*

Cheek, Dowdy and Cox close by commenting:

*The original rationales for businesses, in particular Texas-based companies, to be incorporated in a different state like Delaware are diminishing or entirely gone. It's time to ride the wave of companies moving their place of incorporation to Texas.*

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