

Five Reasons Delaware Reigns Supreme for Business Formation

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Why is the majority of Fortune 500 companies incorporated in the state of Delaware? Why are more than 75% of all new initial public offerings in the United States done by companies incorporated in Delaware? Why is Delaware able to generate more than 25% of its general fund revenue from the incorporation business? And, why have other states been unable to steal this business away from Delaware?

Here are the top five reasons to form an artificial entity in Delaware.

- The Delaware court system is well established and highly respected. The Delaware Court of Chancery specializes in corporate issues and uses judges instead of juries. This means that in every litigation, a judge with a lot of expertise in complex corporate law matters will preside, and the opinions are relatively consistent. In addition, Delaware has historically and consistently been ranked one of the top judiciaries in the country.
- Delaware offers a lot of flexibility for structuring a business entity. Delaware's corporate statutes are highly flexible with respect to corporate governance, allowing significant freedom in determining the composition, powers, and management structure of the board of directors. The Delaware limited liability company statute creates even more flexibility. If a structure can be imagined, chances are it can be accomplished with a Delaware LLC.
- Delaware offers greater privacy. Delaware entities do not need to disclose officer or director names on the formation documents. Delaware LLCs do not need to disclose the names of its members. This creates a certain level of privacy, if needed or desired.
- Investors prefer Delaware entities. Venture Capital investors, investment banks and other lending institutions typically prefer Delaware entities above all other states because of the reasons stated herein.
- Bi-partisan political consensus. When it comes to corporate law in Delaware, the politicians understand its importance, and Delaware's importance. The bi-partisan political consensus in Delaware, therefore, attempts to keep the Delaware entities' statutes modern and up-to-date, and to rely on Delaware's corporate law specialists for advice on how to do this.