

Cryptocurrency in Divorce: How Courts Handle Bitcoin, Valuation, and Disclosure

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As cryptocurrencies become more common, Bitcoin is increasingly showing up in divorce cases. Unlike traditional bank accounts, dividing Bitcoin involves unique issues related to valuation, transfer, and tax consequences.

In most states, including Maryland, property acquired during the marriage is generally considered marital property, regardless of how it is titled. If Bitcoin was purchased during the marriage using marital funds, it is typically subject to division. If it was acquired before the marriage, some or all of it may be non-marital property. However, any increase in value during the marriage may still be considered when dividing assets.

Bitcoin's price fluctuates significantly. Courts must determine a valuation date, which could be the date of separation, filing, or trial, depending on the jurisdiction. Because of volatility, the timing of valuation can meaningfully affect the outcome. Some settlements divide the actual Bitcoin amount rather than assigning a fixed dollar value to account for price swings.

There are three common methods to dividing Bitcoin: 1) Transfer in-kind: one spouse transfers a portion of the Bitcoin directly to the other; 2) Sell and divide proceeds: the parties agree to liquidate the Bitcoin and the cash is split, and 3) Offset with other assets: one spouse keeps the Bitcoin, and the other receives different marital assets of equal value. Each method has tax and risk considerations that should be analyzed and assessed.

Cryptocurrency can raise concerns about hidden assets, especially when wallets or exchanges are not fully disclosed. Courts take nondisclosure seriously.

Bitcoin is also treated as property for tax purposes. Selling it may trigger capital gains, so the tax impact should be considered when structuring any division.

While Bitcoin is divisible in divorce, its volatility and tax implications make it more complex than dividing traditional assets. Careful planning and clear settlement terms are essential to ensure a fair and enforceable outcome.