This article hypothesizes that some 1500 years ago the Tais were under a Taoist Theocracy in the vicinity of what is now North Vietnam and Southwest China. At present, traces of Taoism can still be found in Tai languages and cultures. The writer argues that a lot of Middle Chinese loanwords in Tai languages resulted from the practicing of Taoism by the Tais in the former period. To illustrate the point, the writer establishes a relationship between 50 Thai words and 50 corresponding Chinese words as used in Tao Te Ching, the most important Taoist teaching. Examples of some of the words, “suay,l” (稅 taxes), “thii,f” (地 land, earth), “siaw,f” (小 small), “saam,r” (三 three), “khay,r” (開 to open), “ming,f + khwan,r” (命魂 soul, spirit) and “thaen,r” (天 angel, sky), “maa, h” (馬 horse).